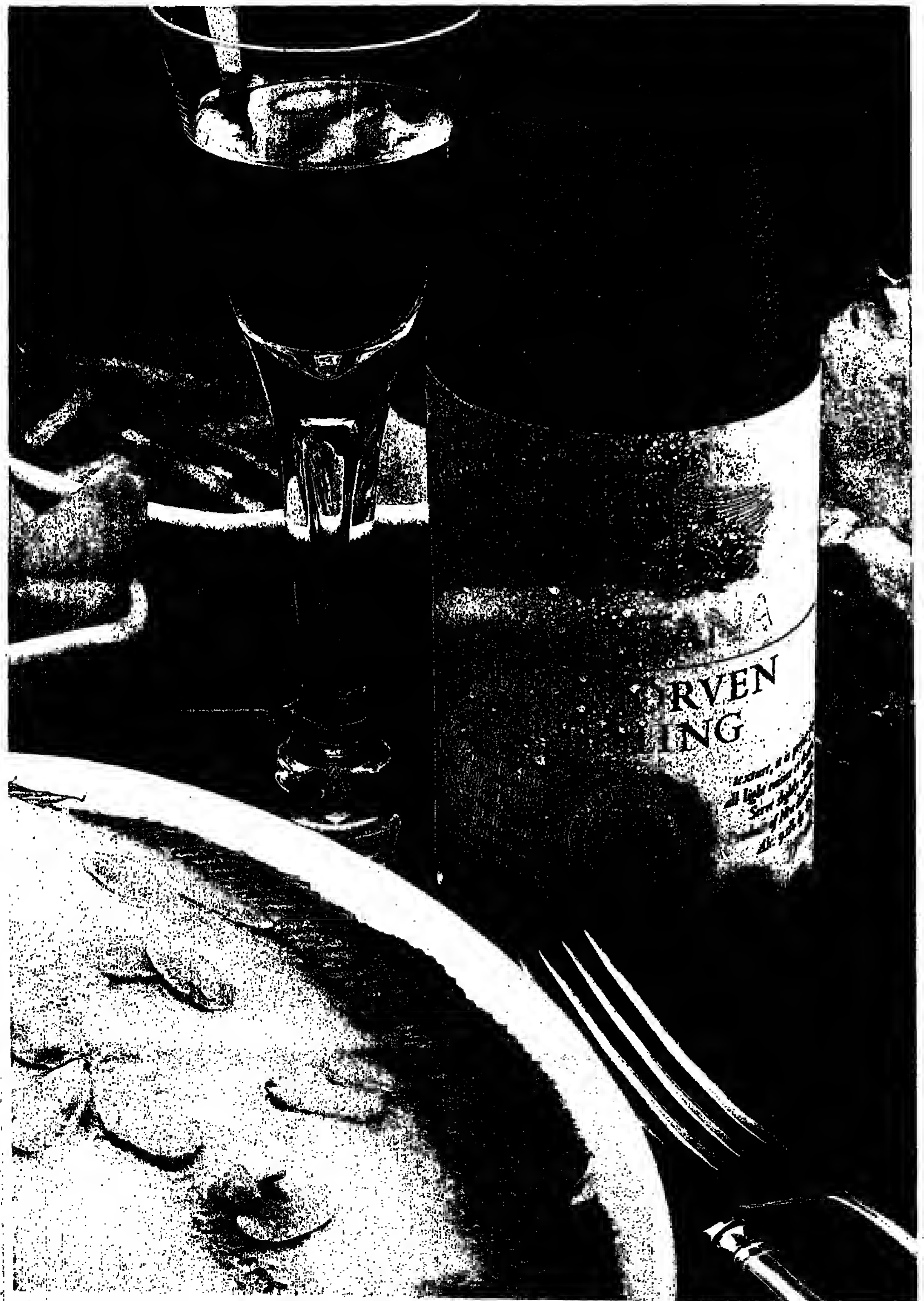

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

80 cents

Inside

Meat marketing push faces scuttling by UK strikers

by Rae Mazengarb

THE meat industry's export marketing strategy faced serious disruption last Friday as British seamen continued their strike.

"We've not yet pressed the panic button," said one industry source — but concern within the industry was mounting daily.

If the strike continued for much longer (it was unresolved when *NBR* went to press) the industry's position could become critical.

The essential problem — apart from the interruption in exporters' cash flow — is in marketing. Exporters and Meat Board officials have met already to revise their marketing plans.

Normally the lamb promotional campaign would be in full swing. But because of the dispute, the main thrust has been postponed.

The six-month period to June is crucial for marketing our lamb in Britain. Prices are now beginning to pick up and every week we are unable to supply the market means the loss of optimum prices.

In theory we could ship to Britain up to the quota imposed by the EEC — 245,000 tonnes. But it is not likely the marketing strategy involves such a high shipment.

Last year we shipped 180,000 tonnes.

The Meat Board is not telling how much it is sending, but some sources suggest this year's plan is to ship around 170,000 tonnes as part of the strategy to divert into other markets.

Exporters are unlikely to contemplate diverting lamb to other markets. This is the first year of the voluntary restraint agreement with the EEC and the industry considers it inappropriate to do anything but fulfill original plans.

The strike has frustrated the free movement of products to Iran and Iraq because shipping schedules have been disrupted.

Thirty-six million dollars worth of exports were stuck on ships around the New Zealand coast last week, and ships bound for the Middle East, Europe and North America were all reported to be affected by the dispute.

The dispute has tied up 315 British ships. Eight lie idle in ports around New Zealand.

More than 60 per cent of our meat and dairy produce is carried by British lines affected by the strike, according to one shipping source. He described the situation as serious.

The "most frustrating thing is that the solution is completely out of our hands," he said.

Meat Exporters Council chairman Peter Norman said last Thursday it was ironic that the strike, with its disruptive effects, had occurred at a time when the British market was coming right and lamb prices were approaching levels which could be considered somewhere near satisfactory.

Peter Norman . . . the market was coming right

The strike was making exporters cautious, he said.

The industry had been in total agreement on the proportion of lamb to be sent to Britain before June, but shipments now would have to be reviewed.

But Meat Producers Board assistant general manager for marketing Graham Harrison was optimistic.

The ships manned with New Zealand or Australian crews were not affected by the situation, he pointed out. And any repercussions for the marketing plan related to the strike's duration.

So far, he said, there was mere speculation and no firm indication that the strike would be prolonged.

"We might have to think about bringing in other vessels with non-British crews," Harrison said.

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South American coup

AIR New Zealand and the Government have pulled off a remarkable deal fulfilling the highest aspirations of the 1979 external aviation policy white paper.

From April 4 Aerolinas Argentinas will unload up to 350 passengers a month in Auckland.

After an overnight stay or a longer sojourn, those passengers will travel on to Australia, Hong Kong, Fiji and Japan exclusively on Air New Zealand services.

At the end of their month-long jaunt in the Pacific Basin, the Argentinians will return home either through Auckland or connecting with Aerolinas services in Los Angeles.

In terms of the national interest, New Zealand cannot lose. Aerolinas' enthusiasm to open the polar route with Boeing 747SP jumbo jets, similar to those Qantas is about to inaugurate on the Tasman route to Wellington, has allowed the Government and Air New Zealand to dictate normally unacceptable conditions.

Aerolinas, after preliminary negotiations with Qantas failed, wanted to use Auckland as a staging post for commercial flights through to Hong Kong and, later, to other points in the Orient.

Air New Zealand, which till recently has ignored South America, was not keen on conceding the rights on a route on which it now has a monopoly.

Optimistically, Aerolinas initially sought the right to operate freely between Auckland and Hong Kong, competing directly with Air New Zealand.

Keen to protect its monopoly and its high fares, compared with those between Sydney and the British colony, Air New Zealand rejected the Argentinian airline.

Effectively, Aerolinas will now operate back-to-back charters feeding Air New Zealand's Pacific network. The inbound tourist industry will also gain as most Argentinians — and Brazilians, Uruguayians and Paraguayians — are expected to spend at least part of their holiday seeing the sights of Rotorua and the South Island.

Aviation Week and Space Technology, in a recent traffic survey of 1980, noted that the South American market was one of the bright spots in an otherwise gloomy commercial airline world.

Traffic between North and South America was up 15 per cent over 1979 and between Europe and South America a 7 per cent increase. "Much of the increase was due to a boom in travel from Brazil and Argentina," the magazine said.

"Argentine travel has been strong" it said attributing the cause "to the high rate of inflation in Argentina that provides an incentive for travel."

The magazine noted that, early last year, the Brazilian Government rescinded

Continued on Page 2.

The week

Labour's infighting

LABOUR can always do it better when it comes to political infighting. Not content to let National's deputy leadership squabble hog the limelight, the Opposition got in on the act too as Dsvid Lange stated his intention to test his standing as deputy with the first Labour caucus of the year.

AS senior MP sought to defuse challenges from former deputy Bob Tizard and Russell Matshall Nelson MP Mel Courtney indicated he would resign from the party later this year and stand as an iodependent in November.

IN Britain Labour's gang of three-right wingers, — Dr David Owen, Shirley Williams and Bill Rodgers — all but severed their links with the party and prepared to launch a centre social democratic party with the backing of former Home Secretary and Chancellor in Horold Wilson's governments, Roy Jenkins. David Steele's Liberals are also expected to come to the party.

WELLINGTON'S suburban electric rail network will be extended to Paraparaumu, almost 40 years after the proposal was first mooted at a cost of $1.7 million. Work will begin within six months. It may be coincidence but Energy undersecretary Barry Brill's very marginal Kapiti electorate includes Paraparaumu.

JUSTICE Ministet Jim McLay ordered his department to open the doots to the public taking the Goverment's first tentative step toward the citizen's right to know. Not to be outdone, Prime Minister Rob Muldoon will release the Danks Committee report on freedom of information soon.

UP to 250 teachers who finished training last year cannot find jobs. Fewer schoolchildren to teacb and low teacher turnover are blamed . . . and bad education planning?

ANTI-smelter factions are demanding the Ombudsman halt road works on the highway to Aramoana before the Planning Tribunal has had an opportunity to hear their objections to the proposed Fletcher-Alusuisse development.

STRIKING British seamen stranded six ships around the coast disrupting lamb and doiry exports in particular. As s result Smithfield lamb prices firmed and farmers immediately protested that the freezing companies were not passing on the gain in the meat schedule which has remained unehsnged since mid-November.

WE'RE off on snother loan raising spree, this time to the Japanese for $100 million at 8.5 per cent.

AUSTRALIAN newspapet magnate Rupert Murdoch added the *Times*, the *Sunday Times* snd its associated publications to his empire.

SOUTH African voters will go to the polls a year eatly in April to give Prime Minister Peter Botha his personal mandate.

PRESERVING native trees in the Purcora forest cost the taxpayer $7 million — $5.1 million compensation to Pureora Sawmills Ltd and $1.96 million to Ellis and Bumard Ltd whose long-term timber contracts were suspended in 1978.

Business week

ACI Ltd and **Acmil Ltd** have finalised their merger agreement. Acmil shareholders were offered either 90 cents plus three ACI shares for every five shares held or $1.38 a share.

Baillie Farmers Mntors Ltd: unaudited net profit for six months to December 31 wns $65,000 (last year $154,000). An interint dividend of 3 cents-6 per cent — will be pnid on February 23.

Henry Berry Ltd will takeover **Hylin Holdings Ltd** subject to the approval of the Examiner of Commerciol Practices. Hylin sharcholders have been offered eight Henry Berry shares plus $3.60 for every nine Hylin shares.

Consolidated Silver Mining Cn of NZ Ltd will make a one for two issue of 4 cent sharcs at a premium of 6 cents to finance its exploration programme.

Develnpment Finance Corporation increased its rates on secured two to five year debenture stock by 1 per cent. Rates range from 14.75 per cent for two years to 15.25 per cent for five years. **BNZ Finance** tirmed its rates by .5 per cent.

DIC Ltd will make a one for four cash issue of 1.17 million $1 ordinary shares at a premium of 70 cents.

Dingwall & Paulger Ltd: unaudited net profit for six months to October 31 was $321,000 (last yenr $200,000).

F and P Dealer Rentals will change its name to F and P Finnnee Ltd and change its accounting year from December 31 to March 31.

General Property Trust: net revenue for the year ended December 31 was $13,872,377 (last year $10,289,311). Distrihution will be 7.4 cents for the half year to June 30.

E Lichtenstein und Co Ltd: unaudited net profit for six months to December 31 was $582,671 (last year $291,783). An interim dividend of 5 cents-10 per cent — will be paid on April 7.

MIM Holdings Ltd: unaudited net profit for 24 weeks to December 14 was $76,493,000 (last year $93,840,000). An interim dividend of 8 cents will he paid on April 6.

Mansanto Auatralin Ltd bought out the **Fletcher Chnllenge** holding in **Revertex Industries Ltd.**

South British Insurance Co Ltd and **New Zeolund Insurance Cu Ltd** will merge. The **New Zealand South British Group Ltd** will be the new holding company offering South British shareholders 4.4 ordinary 50 cent shares for every existing share and NZI shareholders four new shares for every one now held. South British will pay a special dividend of 21 cents on existing capital and NZI 10 cents on March 31.

Vocation Hatels Ltd: net profit for the year ended October 31 was $1,007,473 (last year $699,265).

Waitoki NZ Refrigernting Ltd is making a one for seven tights issues at a premium of 40 cents. Total pnyable $1.40 raising $6.85 million.

Economic indicators

THE $27 million Sedco drilling ship pushed December's normally bright trade return into the red. Exports were $519.7 million (442.5 million), imports $536.8 million (385 million) and the raw deficit $17.2 millioo ($57.4 million surplus). For the last six months the crude deficit — without invisibles — was $201.2 million, $90 million worse than a year earlier.

AVERAGE weekly wages rose 5.6 per cent between May and August last year taking the average wage to $195.

THE population outflow slackened in 1980. Permanent arrivals firmed and overall the net migration loss dropped from 23,701 in 1979 to 10,880. But permanent arrivals in December weakened while inbound tourists firmed only slightly over 1979.

The week ahead

MONDAY: Mantex, Auckland Show buildings. Ends Tuesday.

Large earthquakes conference, Napier. Ends Tuesday.

XV Pacific Science Congress, Dunedin. Ends February 11.

Society for Animal Production annual conference, Massey University. Ends February 12.

Australian Veterinary Students Association conference, Massey University. Ends Friday.

Exchange rates

As at January 29, the New Zealand dollar sold at:

Britain	.39
United States	.95
Canada	1.13
Australia	.81
Fiji	.24
Austria	13
Belgium	31
China	1.49
Denmark	6.04
France	4.52
Greece	41
Hong Kong	4.95
India	7.55
Ireland	.52
Italy	932.8
Japan	193.4
Malaysia	2.08
Netherlands	2.13
New Caledonia & Tahiti	82.1
Norway	5.09
Pakistan	9.26
Portugal	51.8
Singapore	1.95
South Africa	.71
Spain	72
Sweden	4.28
Switzerland	1.75
West Germany	1.96
Western Samoa	.88

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regulations requiring Brazilians to post a $1000 bond before they travelled overseas.

Aerolinas is prepared to begin services as a series of limited charters deapite the apparently one sided agreement. Flights have been scheduled monthly from April through to November 7.

In terms of the 1979 white paper on external aviation policy, the initial agreement is a remarkable coup.

It allows "the development of a network of adequate efficient and competitive air services between New Zealand and other countries to provide travel, trade and communication links" without any risk to Air New Zealand.

"To serve political strategic and economic interests" — South America has been targeted as an area with long-term export growth potential by Trade and Industry.

Above all, it will "maximise the contribution of international transport services to growth of net foreign exchange earnings," at a minimum cost.

The only foreign exchange "loss" will be New Zealanders attracted by the South American tour packages that will shortly be offered by Atlantic and Pacific Travel.

Atlantic and Pacific will bandle both inbound and outbound groups for Aerolinas.

Exporters, who now endure a Los Angeles or compulsory Tahiti stopover to get to and from their fast-growing South American markets initially may find the service of little use unless they can fit into the monthly schedule.

Aerolinas and the Argentine Government are evaluating proposals for the introduction of regular commercial services prior to inter-government talks later this year. New Zealand's proposal is understood to be along the lines of the initial charter agreement — that Aerolinas should fly Buenos Aires-Auckland to feed New Zealand.

The week

IDC likely to recommend developing plastics

by Allan Parker

THE $300 million-a-year plastics industry will gets its first view of how the Industries Development Commission sees its future when s draft report is distributed lster this week.

The report makes several recommendations for the development of the sector and seeks comment from the various interested parties at a March 10 public hearing designed to seek industry, union and Govemment department thoughts on possible improvements to the tecommendations.

But fears that the industry — regarded by some as an inefficient, expensive user of imported materials — will be thrown to the wall sre unlikely to be realised.

NBR understands that the report finds the plastics industry a growth seetor that deserves encouragement and support for future development.

The industry under study has some 250 units througbout New Zealand, largely in the two main North Island centres. It employs some 6000 people and claims direct exports of about $35 million a year.

Indirect exports in the form of componentry and packaging are further contributors to export earning.

The IDC is expected to point out the big growth potential for flexible packaging wrapping for the nation's increasing agricultural and horticultural products, including pre-cut meat.

The report is the result of nearly 60 on-site visits by IDC commissioners and a series of 12 separate public inquiries into sectors of the industry.

NBR understands that the report's basic concept will follow previous recommendations from other industry studies.

The essential concept behind the commission's thinking centres on market force pressures to bting sbout changes within industries.

It does not see its role as a rule-making body that directs the marketplace by regulation.

Thus, this latest report is likely to recommend similar procedures as those suggested for the packing industry (See Psge 17). These include a formula for allowing freer access to imported materials and a tendering scheme for import licences, likely to be for a two-year period.

The industry itself should breathe a little easier when it receives the report for comment.

NBR believes the commission has found the industry refreshingly willing to respond rapidly to changing conditions. This attitude should help the industry continue its consistent growth pattern of the last five years.

In particular, efficiency and technical capacity within the industry have impressed the commission. But the IDC is expected to show less enthusiasm for some products that may not be competitively-priced.

For this reason, the formula for freer occess to imports and the proposed tendering scheme for testing purposes would help eliminate this situation. The number nf products affected is understood to be small and employment threatened minimal.

There was considerable concern when the plastics study was initislly aonounced. The industry feared it might be viewed as an inefficient producer of products thst could be imported more cheaply, or that a return to wood and glass paekaging which used local raw materials might be advocated.

But the IDC, in pursuit of its 'let-the-market-decide' philosophy, is believed to have rejected this argument in its assessment of the industry.

Far from throwing plastics companies to the wall, the IDC will tend towards the view that they deserve the nation's support as a dynamic and growing sector of the economy with a large chunk of its output used by most of New Zealand's primary and secondary industries.

Socred reassures bank employees union

by Ann Taylor

WITHIN a week of sitting down to wage negotiations, the Bank Officers Union last week met Social Credit representatives to discuss the implications of the party's financial policy on union members.

The union is concerned by the league's emphasis on developing regional banking, which implies a limitation on trading banks and the development of trustee savings banks which are covered by clerical unions.

Social Credit's claims that it will control credit and interest rates also potentially threaten the tenure of bank officers employment.

Union secretary Don Aimer told *NBR*: "We are the first group in the finance sector to take them seriously", and said he was concerned to contribute information and ideas "to all the parties to assist in the whole debate".

Last week's meeting with Social Crediters Gary Knapp and Terry Heffernan was the first in an on-going dialogue with the league which Aimer said he hoped would include a meeting with economics spokesman Les Hunter and leader Bruce Beetham.

The union does not share the ire that Social Credit has raised in the banking sector. Aimer said the league's representatives were reassuring, aod had told him that although credit would be issued in different ways, it could be channelled through the same institutions.

Trading banks, apart from the BNZ, are controlled from outside the country, and the union hod some empathy with the league's stance on multinationals, Aimer said.

Heffernan said the fact that four of the five trading banks were controlled from outside the country "is not a matter of immediate concern".

"Our industriol relations policy of worker shareholding is likely to see more domiciled control, localised not nationalised".

Heffernan said that although the method of credit control would be changed, loans were only one aspect of the trading banks' work.

"Tertiary" finance institutions — building societies, merchant banks and finance houses — and "the sort of business gravitated in those areas" would be returned to the trading and saving banks, "which would mean an enhancement rather than a diminuition" of the union's members role, he said.

The week

Waning investment feared in farming sector

by Allen Perker

THE farming industry is becoming increasingly concerned that it will be left behind in the rush to major projects.

Farm leaders fear that their industry will become the Cinderella of investment policies and decisions aimed at developing $5 billion worth of energy and resource-based projects over the next decade.

Last week's meeting between Federated Farmers officials and Agriculture Minister Duncan MacIntyre about the declining state of the sheep industry was the latest — but by no means the last — step in a campaign to ensure that farmers continue to get a slice of the economic cake.

Federation president Allan Wright described the meeting as "sounding the warning bells" about the effects of inflation on farm costs, particularly with the drop in wool prices and static lamb prices.

The ensuing reduction in available investment for farm production and maintenance, the farmers argue, could slow the high growth of recent years.

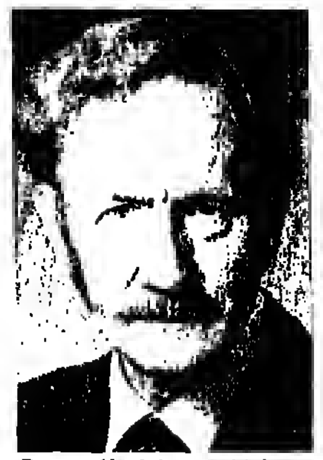
"It is in the interests of the whole country, particularly for the creation of new jobs, that the current momentum continue," Wright said.

The federation has decided that it must adopt a higher profile if farmers' interests are to remain priorities in government policy.

One federation source said this attitude had been prompted by the pressure coming from other sectors of the economy, particularly the proposals for big-project investment.

The Agrow public relations campaign was a first step toward developing this high-profile image, he said. The meeting with MacIntyre — described as "very successful" — was another.

The federation is now completing a "party manifesto" which will set out the policies it would like the Government to adopt to protect farmers' interests. The manifesto will probably be published late this month.



Duncan MacIntyre . . . high profile meeting

Allen Wright . . . sounding the warning bells

Some of the key issues likely to be established in the manifesto are embodied in the federation's submission to Finance Minister Rob Muldoon for this year's Budget.

"Competition for capital resources will increase during the next decade, with agriculture, energy and forestry competing for the same capital resource," the submissions say.

"It is important that capital be directed to those areas where the greatest increase in production can be obtained, particularly net export earnings. As agriculture produces in excess of 76 per cent of all export receipts, the opportunities are by far the greatest in this sector."

The federation's position was summed up by one official: "Dollar for dollar, farming is still a good investment."

But: "We are concerned that under the current circumstances competition for capital is not on an equal basis, and would suggest for example that the forestry companies enjoy considerable advantages in the competition for capital and land."

The industry has launched a head-on attack against the export incentives system which it says has "become embedded in the economy and is now creating distortions in many sectors".

Other key elements of the federation's stance include a reduction in protection for local industries and continued reductions in direct tax instead of wage rises.

A federation official agrees that 1981 is "a good year" to be pursuing a higher profile.

With the upsurge in rural support for Social Credit, "it is logical for us to be presenting such things as a manifesto and submissions for consideration by all political parties".

Service opens through Queensland gateway

DIRECT air access to the North Queensland export market will be opened next week, when Qantas opens the route between Auckland and Townsville.

North Queensland — a region which prospers from sugar cane, tourism and a burgeoning mining industry — has no strong secondary industry. Most commodities are imported from elsewhere in Australia.

Qantas is hoping to develop a brisk airfreight business on its new route, offering New Zealand businesses the chance to compete on the consumer market.

"If I was exporting to Australia, I would look at finding an agent here," said the airline's Townsville manager, Ian McDonnell.

Townsville serves a region of about 500,000 people within a 750km radius.

The inaugural flight will leave Townsville next Monday and return from Auckland next day.

The service will operate once a week.

Townsville — billed as the gateway to North Queensland — will be the only provincial city in Australia with an international airport.

Townsville businessmen expect that the retailing sector will benefit from the tourist trade which the new route should foster. But they also hope to airfreight here some of the region's perishable seafoods (prawns, bugs, baramundi) and tropical fruits (mango, avocado, pineapples). "And a smart entrepreneur in New Zealand would be planning to import these goods," said McDonnell.

Qantas officials envisage visitors arriving in Townsville on Tuesdays to spend a week, say, in the tropical north before flying down to Brisbane for a week on the Gold Coast, then catching return flights from Brisbane to Auckland, Christchurch or Wellington, or flying from those three cities to Brisbane to spend a week on the Gold Coast before flying north, then returning to Auckland on the direct route from Townsville.

"We are looking forward to a great deal of support," McDonnell said.

"The link will give New Zealanders the opportunity to see a part of Australia that is different not only from New Zealand, but also from the rest of Australia."

The tourist season extends from April-November, peaking in mid-winter.

Comment

Editorial

ELECTION year has opened with neither the National nor Labour parties certain who will be their deputy leaders in the campaigning to win popular support and to stave off the threat of electoral losses to Social Credit. The retirement of Brian Talboys at the end of this Parliamentary term has resulted in at least three National Cabinet Ministers jockeying to replace him in a job which – depending on who is chosen – must give a pointer to who will succeed Prime Minister Rob Muldoon eventually as party leader. A question mark surrounds Labour's deputy leadership only because of the curious decision of David Lange to satisfy himself about the extent of his colleagues' support for him in a post he already holds.

National will decide the deputy leadership issue at its first caucus meeting of the year on Wednesday. Muldoon's choice is no secret: the Prime Minister reckons that Agriculture Minister Duncan MacIntyre is unquestionably the front-runner (and he would put his money on Energy Minister Bill Birch if MacIntyre was to withdraw). Furthermore, he has claimed that among caucus members, MacIntyre is the least controversial candidate (which suggests that caucus has a peculiar idea of controversy).

Muldoon, of course, is fiercely loyal to his friends and perplexingly tolerant of their shortcomings (best evidenced in his persistent defence of Transport Minister Colin McLachlan). He expects loyalty in return and – as the *Evening Post* reported last week – "the degree to which it is necessary for the new deputy leader of the National party to be 'agreeable' to the Prime Minister" was a major factor in the issue.

Housing Minister Derek Quigley has emphasised that he has "a good working relationship" with the Prime Minister and has confirmed his personal loyalty

Muldoon spurns him, insisting that he would not look forward with equanimity to a deputy leader "who as recently as September last year did not want me as leader of the party". A third candidate – Labour Minister Jim Bolger – may prove to be an expedient compromise if the Muldoon faction cannot prevail with MacIntyre, a Minister whose reputation has been shaken by the Marginal Lands Board inquiry finding that he had acted extremely unwisely and had "an inadequate and faulty judgement of the responsibilities of, and the public image essential in, a ministerial appointment."

The MacIntyre-Quigley battle and its implications for Muldoon's leadership should have been gleefully seized on by an Opposition desperate to make political capital. But Labour decided that the public should be laughing at it instead of at the Government and is staging its own deputy leadership vote on February 12.

The ebullient David Lange, fresh from having a premature crack at the leadership late last year, has decided to resign as No 2 man at the party's first caucus, then stand for re-election. Bill Rowling and other party leaders have made clear they do not believe Lange needs to seek a vote of confidence. But he has persisted, presumably hoping to win an uncontested vote of confidence from his colleagues. Both former deputy Bob Tizard and Wanganui MP Russell Marshall have indicated they may stand against Lange. "There's no way I should endorse Mr Lange after what he's done and his actions in voting against the leader," Tizard declared.

And so last week, Labour MPs who had initially regarded Lange's moves as logical had become concerned that the resignation must harm the party by re-opening old wounds. The party by then was anxious to dissuade Lange from testing his support in a caucus vote, which is bound to further fracture an already divided party.

Apart from the revival of deputy leadership aspirations, Labour must have been shaken by the report by former MP Roger Drayton, which predicts disaster for the party if an election were held today. Based on his analysis of Labour's problems, during an extensive informal tour of the North Island and his own contacts, the report says the electorate does not trust Labour and is critical of the behaviour of Labour members in Parliament. They are seen as self-serving and self-interested.

Only a dramatic move by leader Bill Rowling can save the election for Labour, the report asserts – and it advocates the dismissal of some selected party candidates and members who led the revolt against Rowling.

Drayton predicts some shock results at the next election unless trends can be reversed. According to his reading of the mood of the electorate, National would take 48 seats, Labour 34, Social Credit 11, and Northern Maori would go to Mat Rata's Mana Motuhake.

Rowling reacted by talking of a "distinct smell of treachery" (although the report was intended to promote his leadership); he maintained that the party's "scientific surveys on voter opinion" did not accord with the propositions which Drayton put forward. Maybe so. But the Drayton report at least recognises the volatility of the electorate, and a jolt to its system is exactly what Labour needs if it seriously contemplates election victory.

The party should at least appreciate that there are more weighty matters to be tackled than soothing Lange's self-esteem. Revival of the deputy leadership question has diverted the public's attention, for example, from the antics of Police Minister Ben Couch, who last week withdrew suggestions that he believes the police should not protect protesters in clashes with rugby supporters during this winter's Springbok tour... he conceded he had made "a mistake" in not making his views clear in an interview with the press. Then there has been the question of Tourism Minister Warren Cooper's admission that he had pushed hard so Waimangu Valley Thermal Tours Ltd could take over the lease of the Waimangu round trip by January 1. (The lease was not put up for tender and Cooper said he moved quickly to "cut through red tape" because he was "anxious to see the intending lessee get the benefit from the holiday season").

What the voters will be deciding in November is which party they consider best fitted to run this country. A party which shows it cannot sort out the problems of its own organisation and cannot effectively act as watchdog over the Government's administrative performance deserves to be booted back on to the Opposition benches. And it deserves to find that just a few more of those benches are being shared by Social Credit candidates.

Bob Edlin

Comment

Merger should minimise premiums

by John Sloan

THE insurance merger that has been talked about for years last week became a reality when the New Zealand Insurance Company and South British Insurance Company announced their intention to discuss merging the two giant insurance groups.

With combined assets of just over $1 billion plus an estimated joint income of $500 million, the new company will be major force in the local and international insurance market.

Neither the NZI nor South British have been immune to the problems crippling insurers world-wide: intensive competition; underwriting losses; over-capacity in the re-insurance market; fluctuating investment income; government legislation; inflation's impact on claims settlements; the effect of new technology; ever-increasing overhead and salary costs.

Just how NZI and South British plan to cope with these problems has not been publicly revealed but the prime objectives of the merger must be to increase effectiveness and profitability.

This should be achieved through a combination of techniques: increased reserves allow more insurance to be internally retained rather than externally reinsured; combining office and computer systems will reduce administration costs; duplication of certain jobs and tasks will be avoided; and an eventual reduction in staff numbers appears inevitable.

A reduction in the extensive duplication of premises throughout New Zealand and Australia should also save significant costs.

Despite honest and sympathetic intentions to protect employees' interests, some carefully nurtured career plans are bound to be shattered by the merger because duplicated jobs and functions will be carefully eliminated in the interests of efficiency.

And some business and professional relationships (many with historical connections) are likely to be severed as the drive to rationalise gathers momentum.

Competition may be marginally reduced, because the two large groups will no longer be fighting each other for business.

The combined investments will give the merged group more clout to obtain or retain business. New policies and services will be offered to the insuring public.

Because the two insurers already hold a large slice of the local insurance market, we can expect to see some calculated control over the irresponsible competition which has adversely affected the market.

One feature of the proposed merger is the diverse activities of the two companies. Both began from a traditional base of fire, marine, and accident insurance, and later entered the life insurance and trustee fields. They also established finance companies either directly or through shareholdings in other companies.

The combined cash flow of the new group will provide added strength to their investment resources.

The overseas operations of both companies are more extensive than their local activities. Clearly, the overseas interests have played an influential part in the merger discussions and the soft market in Australia probably dominated long-term strategy.

The proposed merger shows that the companies intend maintaining a strong and profitable presence overseas. Whether they can reverse international trends and pressures remains to be seen.

How will the public benefit from the latest proposed merger? Presumably a more efficient and profitable private enterprise company is desirable. As overheads will be reduced premium increases should be minimised.

Increased funds for investment should benefit the community, which may also enjoy the flow-on effect from an increased return for the shareholders.

A major benefit for the country will be increased foreign earnings if the group increases its net profit from its overseas operations.

Any merger creates the question: will there be further rationalisation?

If insurers see mergers as the only way to survive, there will be. But the insurance industry is too global, dynamic, competitive, and diverse to be monopolised by a handful of multinational insurance companies or brokers.

John Sloan, NBR's insurance writer, is an insurance consultant with 25 years of experience in the industry.

Without word of a lie

Labouring for unity

LABOUR Party publicity man Simon Walker must be wondering if TV confrontations with a bellicose Rob Muldoon about the contents of *Jane's Fighting Ships* aren't a less harrowing way of earning a living than trying to present the Opposition party as a politically viable group dedicated to winning the 1981 election.

We have all been made bemusingly aware of the leadership and deputy leadership wranglings among the Rowling team, which effectively promote public perceptions of a kamikaze party only too willing to take the limelight from National's leadership embarrassments.

But the way we hear it, Walker had an early first-hand introduction to Labour's disinclination to foster a spirit of co-operation and team-work in election year.

He was called on to arrange a press conference for party president Jim Anderton, according to a story doing the rounds on the cocktail circuit, and he had to negotiate for the use of a committee room with one of the party faithful, an MP who insisted that the premises be vacated by a certain time.

Sure enough, the press conference was still being wrapped up when the deadline expired. And in marched the determined back-bencher to sit down beside Walker and scribble a note which reminded him that the room was needed and commanded him in two succinctly choice words to get out.

Yesteryear's news?

THE mailman has delivered the latest issue of *Communicator*, published by the PR firm Network Communications Limited to tell us what good deeds their staff have been doing and to promote their business.

At least, it looks like the latest issue. But suspicions were raised when we noted that the date – January 1981 – had been pasted on to the front page, and beneath it we found the words "January 1980". Which makes us wonder if Network is engaging in the socially worthy business of recyling... on top of all those other noble activities of PR people....

Filly rankings

OUR thanks to the *National Times* in Australia for bringing to our attention the following item from Melbourne's *Age*:

"Chris Evert Lloyd had edged out teenager Tracy Austin by two votes for the Associated Press woman athlete of the year. A racehorse came third."

NATIONAL BUSINESS REVIEW

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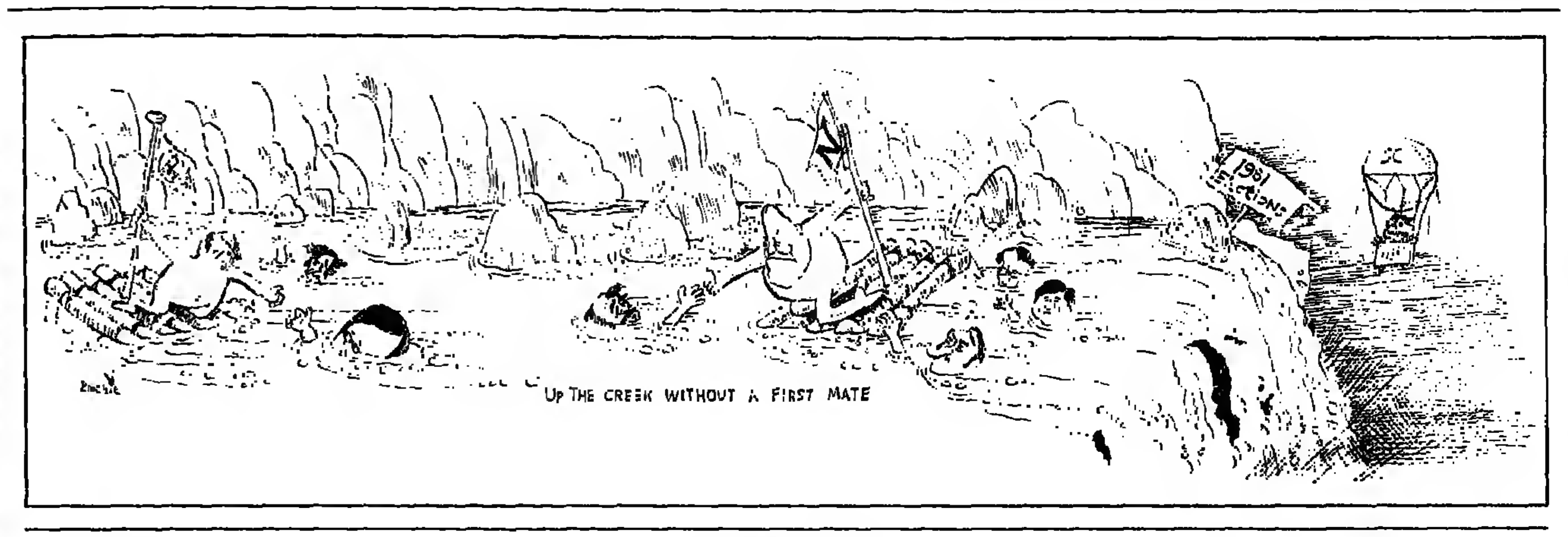
Brockie's view



Comment

Restructuring protagonists reconsider position

SOME of the protagonists in the debate about industrial restructuring in Europe are thinking about changing sides, Wellington journalist Richard Norman discovered at a conference in Belgium late last year. As a member of the New Zealand Coalition for Trade and Development, he was invited to take part in a conference on industrial restructuring organised by the International Coalition for Development Action – a body made up of non-government overseas aid and development organisations in 19 countries in Europe, North America and Australasia.

by Richard Norman

WITH 500,000 people thrown out of work in the European textile industry alone in the past four years, and whole towns almost closed by changes in traditional industries such as steel and shipbuilding, opponents of restructuring are easy to find.

More surprising is that the overseas aid groups which have been advocating restructuring as a way of lessening the gap between the rich quarter of the world and the poor three-quarters are having second thoughts.

The huge gap between the living standards of Europe, North America, Japan and Australia and the "third world" is a major cause of the pressure for industrialised countries to restructure.

Pricing has been the main force for restructuring, but arguments from United Nations agencies and overseas aid and development groups provide some moral-justification for the upheavals of the process.

According to the theory, the reallocation of industries to the places with the greatest natural advantages (such as cheap labour), and the closing of high-cost ventures in the countries which industrialised first will benefit both rich and poor sectors of the world. The result should be a world in which the gap is not so large and threatening, and in which prices are cheaper.

That's the theory, which has been expressed in self-interest, survival terms in the report of a commission chaired by former West German Chancellor Willy Brandt.

Since its release early last year, the report has been making an impact in Europe, particularly in Britain, where it has been promoted by commission member and former Prime Minister Edward Heath.

Members of the International Coalition for Development Action have been strong advocates of extensive restructuring, pressing the arguments of third world nations to their governments at a series of United Nations trade and development conferences since 1975.

Three major trends in world trade are causing some difficult re-thinking about the value of restructuring.

Firstly, it has become increasingly clear that international trade is less of a free market than ever. Fully 60 per cent of trade is carried out between subsidiaries of multi-national (or trans-national) corporations, or within cartels or by state trading organisations.

Individual trans-nationals are now clearly more powerful than many of the world's governments, particularly those in third world nations which have gained political independence within only the past 20 years.

The bases of the trans-nationals and their shareholders are within the developed, industrialised world. They become involved in restructuring and establishing industries within the third world with their shareholders, not their host countries, foremost in mind.

Practices such as transfer pricing, enabling corporations to take profits where they chose and to avoid the taxes of host countries have aroused increasing anger within third world nations.

In the late 1960s, a United Nations study showed that the corporations were taking out $7 billion a year more in repatriated profits than they were putting into these countries.

More recently, the mobility of factories owned by trans-national corporations has thrown a challenge to the belief that industry on any terms equals progress and development. Factories have been moved around the third world in search of the most stable conditions and cheapest workers.

Factories have closed in Europe and moved to former colonies of EEC countries which have better access to the economic community's markets than others.

Workers in the Belgian textile industry saw their jobs exported to non-unionised Tunisia. Several redundant Belgian workers occupied one closed factory and are struggling as a co-operative, selling mainly in their immediate area.

Developments such as these in Europe are causing a re-think about the value of restructuring. There is a new cynicism about trans-national corporations among non-government groups such as those represented at the conference.

Third world lobby groups are monitoring the activities of trans-nationals with the same concern that they put into pressing for more government aid 10 years ago, and which during the past five years they put into restructuring trade barriers to enable third world countries to gain markets.

It is likely there will be more campaigns such as that against the promotion by Nestlés of powdered milk in third world countries.

Non-government organisations began the Nestlés campaign in the early 1970s when they learned of malnutrition among bottle-fed babies. The reasons: mothers who had been persuaded that bottles were better than breast-feeding were saving on milk powder by diluting it too much, and often using contaminated water.

After years of fact-gathering, the issue is now with the World Health Organisation, which is trying to set standards for advertising by milk-powder companies.

Other campaigns which can be expected to gather momentum during the 1980s are against pharmaceutical companies which buy blood from third world slum dwellers, and chemical companies which have been buying up patent rights to many varieties of seeds.

The new attitude toward trans-notional corporations is much less welcoming than a previous attitude which accepted trans-national factories as part of the necessary restructuring.

A second major reason for the new uncertainty about restructuring is the uncertainty about the likely impact of new technologies. The previous advantages of low labour cost countries are disappearing in parallel with the dropping costs of micro-processors.

With robot-controlled factories now almost a common feature in industrial Europe, the former advocates of restructuring are wondering how long it might be before the European users of low-cost labour overseas will bring their industries back home.

Many of the industries relocated to the third world provide little more than the value of labour employed. The textile industry in Sri Lanka, for example, imports components of shirts from all round the world. If such industry moves again, to Europe perhaps, there is a real possibility Sri Lanka will be left worse off than before the industry arrived.

There is also a growing question mark over what is achieved by export-led economic growth. In countries which have most rigidly followed those policies, such as Korea, Taiwan and Brazil, the result has been a widening gap within their societies. Such a gap is potentially explosive as recent upheavals in South Korea have shown.

The export orientation can increase dependence and vulnerability, as the Sri Lankans found after establishing a textile industry on World Bank advice and with World Bank money.

Just as the industry was getting into full action, the EEC, disturbed at the great increases in imports from Hong Kong and other third world countries, placed quotas on the textile volume it would accept.

The enormous gap between rich and poor parts of the world means there is a pressing need for change – restructuring by any other name.

But the questions about the way to change lack the simple "throw money at the problem" answers of the United Nation's First Development Decade of the 1960s.

The process of restructuring is at the top of the international agenda for the Third Development Decade of the 1980s. The complexity of the process, and the rapidly changing attitudes toward it mean it will continue to be surrounded with as much controversy at the international level as within New Zealand.

Letters

Clearing Cresta Dore

I HAVE had drawn to my attention the letter in your issue of November 24, 1980, from Chris Robinson of Melbourne who cloaks his remarks with the authority that he is a small winemaker and a member of the Wine and Food Society of Victoria.

Mr Robinson asks why the industry persists with the Riesling/Sylvaner blend mentality and comments, in most derogatory terms, about my company's product, Cresta Dore, which, as we state clearly on its label, is made from Riesling Sylvaner. In his next paragraph Mr Robinson states that "your Chardonnays, Muller Thurgau and Traminers are first class and are in the main off young vines". It seems obvious that Mr Robinson does not understand that Muller Thurgau is the same grape as Riesling Sylvaner so that he both domns and praises the same grape!

Cresta Dore has had many show successes, but perhaps one of its greatest accolades came from the prominent New Zealand wine writer, Mr Michael Brett, who, after trying many wines on a hot Connoisseurs Club Field Day at Kumeu, remarked "Thank God for Cresta Dore". It has for long been a reliable quality product which my company is proud to offer to the discerning public of New Zealand.

D R McWilliam
Managing Director,
McWilliams Wines (NZ) Ltd

Facilitating Americans

I WOULD like to take issue with a statement in your article "Business booming in hiring holiday wheels", (*NBR*, November 24).

We have just spent four months touring the United States and covered over 10,000 miles in a motor-home. We had our own shower and toilet within the van but we only ever used the toilet facility as we found that the different campgrounds we stopped at nightly all provided excellent toilet and shower blocks.

We covered campgrounds from the West to East and stayed in a range from "Kampgrounds of America" to National State Parks.

We were totally impressed by all the facilities that campgrounds provided. The sites were good, usually having individual Bar-b-ques and picnic tables provided. The choice was wide and thus we always chose one with a swimming pool and playground facilities for our children. We were usually able to obtain a sewerage site with little difficulty.

Within the campgrounds the owners were by-and-large providing facilities for all range of campers from Recreational vehicles to those with tents and pop-up caravans and the majority did so extremely well.

R P Sommerville (Mrs)
Tokoroa

Fletchers is fallable too

I YOUR article on secrecy (*NBR*, December 8) raises some very interesting points and I agree with them. I feel certain things in respect to national security should be controlled, but the type mentioned concerning Fletchers is definitely another question.

Why should it be kept secret? If one tells the truth, then one does not need a good memory. With monopolies and Government secrecy, industrial troubles seem to expand beyond control. I have yet to see where a monopoly benefits the public as a whole.

What happens if Fletchers end up like Chrysler, who is going to bale them out, the Government or the Fletcher family and their board of directors with all their other interests, or are they going to go laughing to the bank or into happy retirement? Perhaps Mr Fletcher or Mr Trotter could answer that question.

When Britain was a nation of shopkeepers, she was a wealthy nation, but not now and I can even see New Zealand ending up the same way.

R W Patterson
Christchurch

On Iranian friendship

THE title of the article "NZ no Mecca for Khomeini's friend" (*NBR*, October 13) is flagrantly misleading, since Ayatollah Khomeini does not have any friendship with the Iranian interviewed by the writer.

Ayatollah Khomeini is the leader of millions of Iranians from different backgrounds within and outside Iran. It seems necessary to point out here that hundreds of scholars, who have attended Ayatollah's classes at Qun and Najaf, do not consider themselves as his friends but as his students and followers. Ayatollah Khomeini has declared on various occasions that he is a friend of all the oppressed peoples of the world.

Mr Jebeli seems to have taken this statement of the Ayatollah rather literally, as he feels he is an oppressed and aggrieved party.

Jovad Yarjuni,
Charge d'Affaires ui
Embassy of the Islamic
Republic of Iran
Canberra

Sexual-ist snubbing

IN reference to the article "Sexual snobbery limits direct computer interface" (*NBR*, November 3), I wish to draw your attention to the use of the word "sexual".

In this context, the correct word to use is "sexist." Perhaps it is a more recent word that has been devised to indicate clearly that a person, company, or otherwise makes or has made a preference for one sex, when in fact the situation can apply to any human being who has the necessary qualification be it health, strength, expertise or whatever.

It is an excellent word which makes its point without any of the usual insinuations which tend to confuse the issue, and I would suggest it would help make possible the very thing the professor was advocating.

Shirley Knox
Auckland

Clarifying Kirkham

WE would like to clarify a point mentioned in Warren Berryman's article on the Labour Party's "do-it-yourself" election campaign (*NBR*, January 19). It mentions Geoff Kirkham's involvement and specifically mentions that he works for Campaign Advertising.

What Geoff does with his own time, is his business. However his association with Labour's exercise has nothing to do with Campaign Advertising and we will not be involved in any way.

Our concern, of course, is to avoid guilt by association. There is absolutely no way the Labour Party can save the [illegible] per cent agency commission as the article suggested. It contravenes the whole relationship between agencies and the media.

And as for Mr Wyborn's current comment on several big agencies, I believe agencies can claim more security than a caucus meeting or a policy committee. In fact, I [illegible] we're better.

Finally, I can't see a "do-it-yourself" campaign working for Labour. Maybe if they get elected we can have a "do-it-yourself" Government. Now there's a thought.

Terry Christie
Campaign Advertising

KIRKHAM in fact runs his own one-man media consultancy — Communications Ltd — which in turn works for Campaign and other agencies. — Editor.

"This is our economists' model [illegible] guesses to fifteen decimal places."

Politics

It's time again for Labour collapse theories

by Colin James

NEVER has it been more fashionable to prophesy the imminent breakup of the Labour Party. What old age, political opponents, social reorientation and history are doing to it from the outside, the party also seems bent on doing to itself from the inside.

But social democratic parties all around the world have been given more premature burials even than upstart third parties have had false dawns. It is a natural corollary of the tensions always present on the left and incomprehensible to polite conservatives.

Is the breakup for real this time? Was that comic-opera coup by Billy Hunter Lange and his lower-fourth mates a symptom of irreversible decline?

Evidence piles on evidence from surveys done after the 1978 election and in Rangitikei in 1979 and in the Heylen Poll of the past six months or more that the better-off blue collar workers are susceptible to Social Credit's pitch.

Increasingly, Labour seems to be being pushed into the lower levels of the socio-economic spectrum and out of the middle of the spectrum it must occupy if it is to continue to be a major political force.

On the top five levels of the six-level socio-economic scale devised by the Heylen Research Centre (*NBR*, January 26), and particularly on the top three levels, Labour was losing support much faster in the last quarter of 1980 than it was either winning or keeping it.

Only on the sixth level did Labour appear reasonably secure against the depredations of Social Credit. Everywhere else on the body-socialist great populist leeches were fastened, growing fat.

In such circumstances one would expect Labour activists to be demoralised, membership to be falling and public interest to be negligible.

Yet the reverse seems to be the case. Membership is up (president Jim Anderton is claiming 80,000), the relationship with the unions is better, public interest has not been too bad, organisational activity is at a much higher pitch than three years ago. There have been difficulties with money, but they are because of a higher spending rate rather than a lower level of supply.

By and large — pockets of discontent apart — the attitude in the party is positive. Amid [illegible] disaster, the enthusiasm has an eerie feel.

Though the strategists can offer little to counter the trend than more of what they have been doing — after all, according to the books, what they have been doing is what should produce results — activists cling to two crumbs of comfort.

One is a belief that, even if the worst came to the worst and a tidal wave rolled over the electoral scene in November, Labour will not do worse than 30 seats because at foundation it has a rock-solid, class-based core that the looser conservative alliance underpinning National lacks. (I will return to that question next week.)

The other is a hope that it will all come together in time for the election.

This school of thought argues that when the spotlight went on Bill Rowling in the election campaign in November, 1978, he looked more authoritative and his credibility climbed and with it Labour's stocks.

In the last two or three weeks before the election, droves of previous Labour voters came back from a flirtation with Social Credit or non-voting.

In Onehunga something similar happened. Labour canvassing was finding disconcerting levels of Social Credit support in what should have been Labour heartland areas.

The 20 per cent-plus figures Henry Raynel was coming up with for Social Credit were matched by Labour soundings.

But on election day the Labour vote came back. Proportionally, the Onehunga by-election result was close to that for the general election.

Put 1978 and Onehunga together, the theory goes, and Labour could still get the big apple this November.

Even the poor polls showings and the East Coast Bays disaster can be fitted into this theory, by introducing the "two elections" argument: that Labour may well lose votes wholesale to Social Credit in blue-ribbon National seats while in the marginals hanging on to its votes and winning enough off National to capture seats.

From there Labour activists can go on to fantasise a scenario in which National loses a lot of seats to Social Credit because of Labour collapses there, while Labour picks up 10 to 15 seats off National at the main party frontier.

It is the sort of longshot that might keep party workers paddling barbed wire canoes up the creek. But it depends on two conditions at present conspicuously unfulfilled: that this is essentially a two-party fight (with the third party truly the *third* party) and that the public sees Labour as united.

In more general terms, the ship, no matter how well fitted out, will go nowhere if there is no wind for the sails and the crew cannot agree how to line the sails up.

It was because they felt becalmed that the conspirator-MPs last December decided to do some huffing and puffing to make their own wind. The outcome was a lot of hot air and the impression that the crew could not even agree to put the sails up, let alone align them correctly.

The conspirators had something of a point. Rowling might be a good administrator (a point the conspirators contest), and a man of integrity and dogged courage, but he does not exactly sweep the masses off their feet. If ever there was a time for imaginative leadership, to harness the forces of change, this is it. The prize could be rich.

Rowling, the conspirators correctly diagnosed, is not that sort of leader. As Social Credit continued high in the polls, he plaintively appealed to voters at New Year not to break up the two-party system.

But you don't stop a forest fire by acknowledging it is there; you cut fire breaks and start counter-fires.

Lange at his best could be that sort of leader — but he has not been seen at his best much in the past year.

His explanation, as reported to me by another MP: "Two trees cannot grow in the same spot." In other words, we are not going to see very much of the Lange charisma while he has to play second fiddle to Rowling. Shades of the present Prime Minister's low-key role while deputy to Sir John Marshall in the 1972 election.

David Lange ... spreading branches, but neglecting roots.

This obvious frustration no doubt accounts for Lange's breaking of one of the cardinal rules of deputy leadership (of whatever body): to support the leader until he is no longer leader. Lange votes against Rowling in the confidence motion, to his eternal — and possibly politically fatal — discredit.

But would Lange, given the forest rearranged as he would like, deliver the votes?

Some conspirators took the view that he could do no worse than Rowling, even given the unpromising disunity revelation of their move caused in the party outside the House.

But surely there are questions to be asked about the political acumen of a man who would allow such a challenge to go ahead — with his overt support — without a cast iron guarantee of a clear majority and at least acquiescence by the executive.

Contrast the Kirk conspirators of 1965 or the Muldoon conspirators of 1974 with the creaking coalition of convenience of December 12, hyped on the dutch courage of a bad NRB poll, that was prepared to go into battle with a majority of one.

The colonels in October knew when they were beaten; the lance-corporals of December clearly did not recognise their vulnerability. At the very least lance-corporal Mike Bassett, once an historian by trade, should have been able to hoist a few warning flags.

There are, moreover, doubts about Lange's substance. No one doubts his charm and his wit, his penetrating intelligence and his inviting warmth, but there are doubts about the depth of his homework.

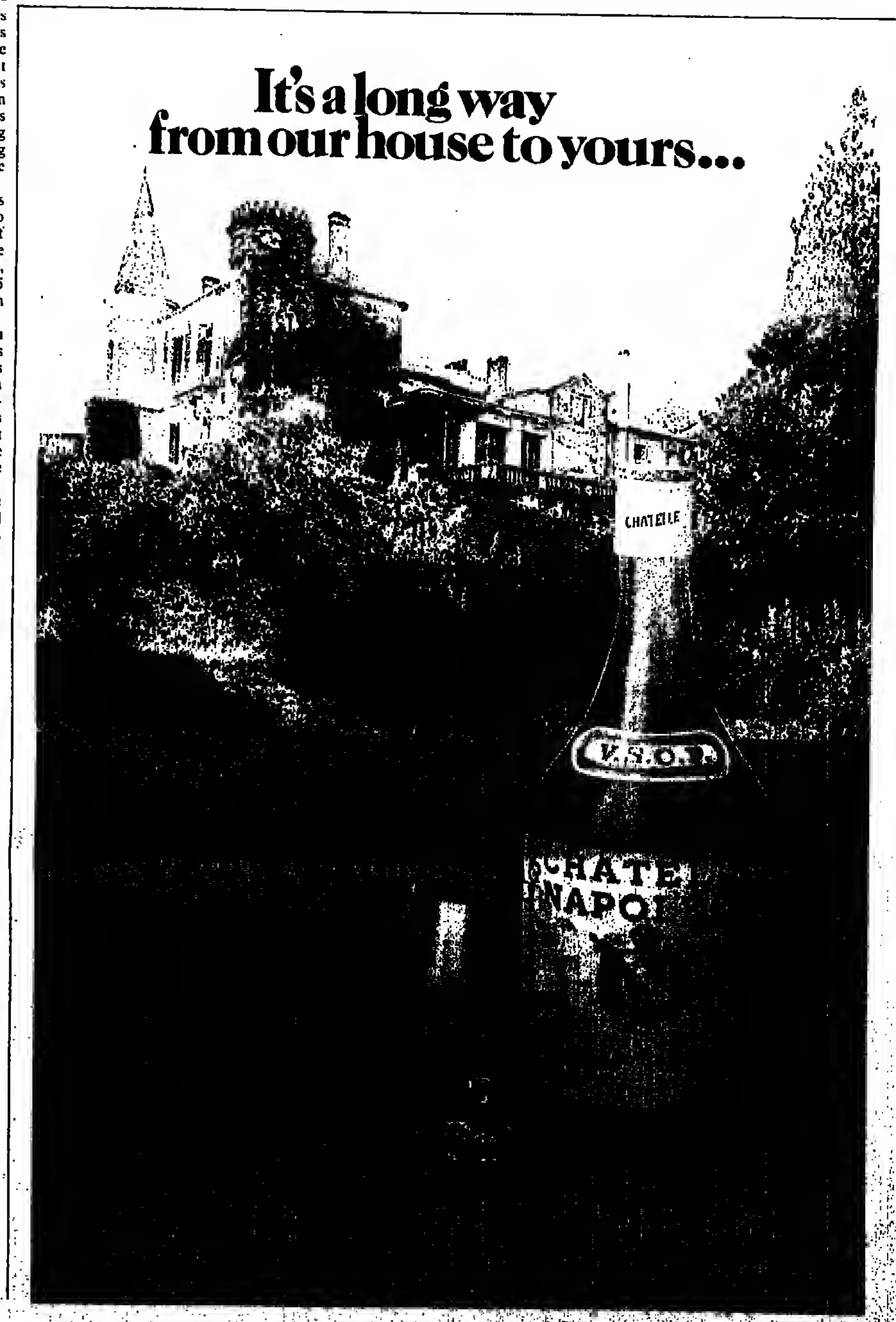
And, apart from his own charismatic catherine wheels, would he make the Labour team look better?

At least Rowling, though he has not made the most out of the talent available, has put some of them in productive jobs (most notably the talented Christchurch trio, David Caygill, Ann Hercus and Geoff Palmer) and has been prepared to tell those he thinks are not up to scratch to take a back seat (thus forming a pool of resentful voters for any challenger).

Ironically, the failed coup may slightly improve Rowling's public standing, since he came out tough and angry.

But for the time being, the lance-corporals, by their botched job, have dramatically reconfirmed the public impression of their party as dispirited, directionless, disunited and desperate.

It adds up to "weak". Policies and organisation and enthusiasm count for nothing against that. The weaker Labour looks, and the longer it looks that way, the wider is the door opened to Social Credit.



Economics

Soaring freight rates bite into farm incomes

Economics Correspondent

NEW Zealanders may have paid as much as $1200 million in overseas freight costs last year. This contributes significantly to our poor balance of payments position, because a high portion of this charge is incurred in foreign currencies. And because of the way farm gate prices are determined, these costs mean lower farm gate prices to local producers.

In *The cost of overseas shipping, who pays?*, Peter Chudleigh, of Lincoln College's Agricultural Economics Research Unit, examines our growing overseas freight bill, arguing that the burden here is high because we pay shipping costs on exported goods as well as imported ones.

Chudleigh suggested that the Conference Lines may be responsible for the rapid growth in our export shipping costs during the 1970s and concludes that there is a need to research alternative shipping systems.

Chudleigh's interest in sparking off the debate is based on a belief that the facts about overseas shipping have been lacking, although this is a critical area affecting the economy.

Over the 10-year period 1970 to 1979, farm input prices rose by 175 per cent, which is quite enough. But this rise is small compared with the 265 per cent rise in the cost of shipping greasy wool or the 349 per cent rise in shipping butter or the 431 per cent rise in shipping carcass lamb over the same period.

As Chart 1 shows, in October last year, ocean freight costs accounted for nearly 17 per cent of the final price of a lamb carcass to consumer in Britain. And Chart 2 pictures (in a graphic, but exaggerated way) that sea freight costs have risen from 41 per cent to 57 per cent of the farm gate price received by farmers here for lamb destined to Britain.

In 1976, Chudleigh estimated, the sea freight bill for New Zealand exports and imports at around $700 million. His estimate is $1.2 billion for the year ending June 30 1980, which means that freight costs have soared by over 71 per cent in five years.

These estimates contrast with other lower estimates published in the *New Zealand Shipping Gazette* and the official Reserve Bank figure for total freight costs expended in overseas exchange.

Chudleigh argues that the total sea freight bill is larger than indicated by the foreign exchange drain because some freight charges payable in New Zealand dollars are ignored. Because published statistics are inadequate to assess all freight costs, Chudleigh calculates a figure based on average sea freight charges for major exports and a crude "rule of thumb" calculation that freight accounted for 10 per cent of the cif (cost plus insurance and freight) value of imports.

But if this estimate of total overseas freight costs seems rough, the assumption of who bears the burden of this huge shipping bill is more open to question. Chudleigh claims that our local exporters and importers bear most of the burden. This is contrary to the common belief that overseas customers of our exports pay for the cost of getting the goods to them, leaving us to bear only the freight charges on imports.

In the economist's jargon, Chudleigh is saying that when it comes to overseas trade, New Zealand is a price-taker, not a price-maker. In other words, we have little control over the prices of either the goods we sell or the goods we buy from overseas.

"The reason for this state of affairs lies in the kinds of produce New Zealand exports and imports as well as our dependence on specific imports and exports, he says: "In general, the responsiveness of overseas importers to changes in price of our exports is far higher than the responsiveness of our producers (in terms of production levels or alternative products) to changes in the prices they receive.

"With respect to imports we are probably in a similar situation.

"On the other hand, the responsiveness of import suppliers to prices they can achieve here is quite high because they are not dependent on our market and can sell easily elsewhere."

So, since we have little flexibility in what we trade and where we trade, we have to be content with prices set in other markets.

A more comprehensive study of our trade may show that we are not price-takers for all goods. Certainly in some markets, it is the volume of our product only which is controlled and in some years prices may rise much faster than costs. Even so, any rough assessment of our freight bill must be based on the general assumption that we pay freight both ways.

This makes the high increase over the past decade particularly onerous. Chudleigh says "the high level of capital invested in cellular container ships has been a major cause. Another major cause has been the increasing cost of oil-based fuels."

But we have not seen such productivity gains in the sea transport industry, between here and Europe. Perhaps the new technologies adopted in the 1970s have been inappropriate or have been introduced inefficiently or it could be that the Conference Lines have not been passing on the savings due to the container revolution.

This means that local farmers have received lower farm-gate returns than they would had transport economies been achieved.

The Conference Lines maintain that they have provided a predictable and reliable service to local farmers. and have experienced a long association with the producer boards. No other shipping structure can provide such a high frequency of service as well as take advantage of economies of ship size.

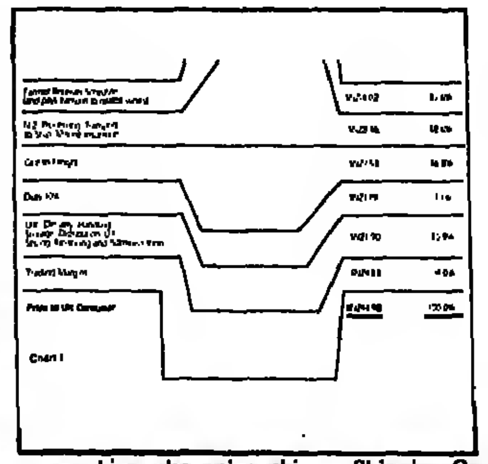
An alternative service could only compete with the Conference Lines if it handled the most favoured part of our trade, resulting in a rise in the price on the cargo which continued to be shipped by them. And the Conference Lines provide a planned and co-ordinated services, which is an essential ingredient to our marketing strategy.

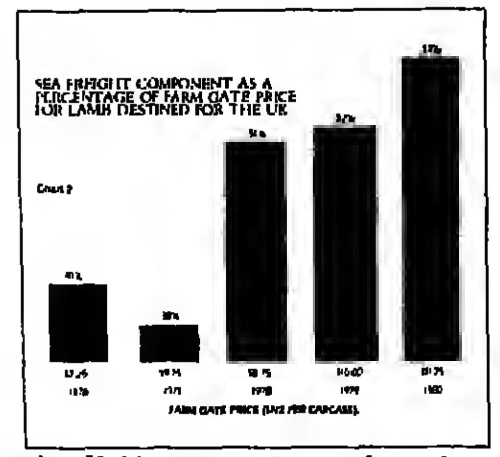
But a closer look at these claims shows that other lines may offer a service as predictable as the Lines. The Conference Lines' economies of size are not large and the real measure of their effectiveness should be in lower freight costs, yet costs have risen.

Competition may be the way to force the Conference Lines to achieve and pass on cost savings. And the producer boards have the power to control shipping arrangements so that they are in our best interest, not just in the interest of the Conference Lines.

Chudleigh does not conclude that the Conference Lines are the major cause of freight costs rises. But he shows the need for further research about the effect of our choice of overseas shipping on costs.

He makes a good case which the Government could heed. We have the perfect set-up for researching alternative shipping in the New Zealand Shipping Corporation. If this Government-sponsored agency does not know about shipping, then does anybody?





O'Brien on business

Rowling shoots from the lip at development

OPPOSITION Leader Bill Rowling is becoming a master of "shooting from the lip" whenever there is a development in the commercial world.

His latest effort relates to the announcement that South British Insurance and New Zealand Inaurance are holding merger discussions.

It follows his entry into the battle of words last year when the Challenge, Fletcher, Tasman merger was proposed, and statements on how the New Zealand woollen textile industry will make massive gains in exports under a Labour administration.

Bill, or whatever member of his research staff handles financial matters, said last week that a merged group would be bigger than any other in general insurance (incorrect on the latest official statistics), would have more than une-third of New Zealand fire insurance (incorrect on the latest official statistics), and would also dominate the industry (incorrect, because the State operations are still bigger).

Bill, and/or researchers, claimed both companies were "particularly prominent" in the Australian general insutance market (incotrect, because the two companies accouot for less than 10 per cent of the total business, wheatheir figures are combined).

Rowling made one correct atatement when he said the insurance market was a complex one. Apparently too complex for the Opposioon Leader's office to produce sensible comment.

Both insurance companies have made major efforts over the last 100 years to develop their business outside New Zealand. The result is that South British, for example, received only 19 per cent of its premium income from New Zealand operations io the year to June 30 1980, compared with 53 per cent from Australia, 17 per cent from Africa, 6 per cent from Britain and the United States, and 5 pet cent from the Asian and South East Asian areas.

Much has been made of the state of the Australian insurance market in romment on the merger discussions, but that may not be the whole story. There are other regions of the world where the large financial base of a merged group would be useful.

The general Pacific Basin region is said m be one of the world's few economic growth areas (see story on Page 14 regarding Jardine Matheson Insurance Brokers), particularly in Asia and Southeast Asia.

Diversificatinn into other forms of financial business could also be assisted with a merget of the two companies.

South British has mnde no secret of the fact thnt it is looking for diversificotion, to reduce reliance on profits (or lack of prufit in the ease of Australia) from underwriting income.

General manager David Bullock said that when he discussed the company's activities at a meeting in Wellington with members of broking firms and the press late last year.

There has been chat around the matket that South British may have an eye on the Fletcher holding io Marac Finance, but the former company's financial structute would make half of Marac a large mouthful.

NZI is involved in the wider financial field through NZI Finance Corporation Ltd (75.5 per cent owned) and that company's subsidiaries, NZI Finance Ltd, and NZI Securities Ltd, the last company being o member of the New Zealand Merchant Bankers Association.

The technical insurance aspects of any merger are discussed elsewhere in this issue, but it is clear that a larger group would be much stronger in financiol terms.

While still smoller thon the State orgonisation, and some overseas hased insurance companies, the group would be one of the biggest companies listed on the New Zealand Stock Exchanges, ranking after Fletcher Challenge and NZ Forest Products, using the genetally accepted criteria of size.

Such a group in the insurance and finance business would have the muscle to compete for business among the large-scale development projects planned for the 1980s, in a similar manner to Fletcher Challenge's desire to participate in that development as prime investors. The insurance company would be able to service those projects from local sources, as opposed to the Fletcher Challenge philosophy of direct investment.

The Examiner of Commercial Practices, and/or the Commerce Commission, will decide whether a merger would affect competition, but, while not trying to usurp the authority of those worthy functionaries, it is difficult to see how there would be insufficient competition, (unless, of course, one is wanting to shoot from the lip).

It is often overlooked that the biggest concentratioo of financial power in the country is in the hands of the State, with the Bank of New Zealand, life and general insurance offices, the Post Office, the Development Finance Corporatioo, the Rural Bank, the Public Trust and the Housing Corporation. Perhaps, there is nothing wrong with that, depending on one's philosophy, but the counter philosophy sees nothing wrong with private sector size, which it regards as no crime in itself.

Stable punters baulk at shares in the yard

LAST week this column suggested that a list of 30 companies could be worth a punt in 1981 either for recovery, a reasonable percentage gain on a price change of a few cents, or as possibilities for a takeover offer from other companies.

Each company was priced at less than $1.

Inevitably, the inclusion of some companies raised some eyebrows.

That is hardly surprising, because the world of professional investment analysis has long been known for its strange attitude to companies which are outside the "stable" of the particular firm making the analysis.

Sharebroking firms are probably the worst offenders, because loyolty to the firm and its views at any given time can outweigh the acceptance of quality work done in other firms.

Sharebrokers dominate the equity investment market in spite of the fact that institutional investors are the largest buyers and sellers of scrip, and usually employ well trained investment people.

The problem is that the institutions' work is for internal consumption only, although the particular individuals may discuss the merits of a given company with other people in the "industry".

But brokers make the visible recommendations of shares. The work of their analysts and research departments varies, as does any exercise which is based on a combination of "scientific" analysis, intuition, and [sometimes] inside knowledge.

The market is small and there are only a few broking firms which can support a research operation. Everyone knows everyone else, to a greater extent than in other countries.

The brokers may either be unaware, or be prepared to deny vigorously, the suggestion that many small investors in the equity market distrust their recommendations, unless the analyses are detailed and the reasons for the particular investment argument spelled out in clear terms.

To some extent this is unwarronted, because the onalysts approach their task from the viewpoint of basic research which builds up the argument from detailed facts, plus reasonable ossumptions. But the public teads the comments knowing that if they approach the firm to buy the recommeoded stock, there is 2 per cent io it for the firm.

Occasionally among analysts there is unanimity about some research work. For example, one research man with a broking firm has never (at least in the presence of this writer) received anything but admiration for his anlyses, which would hold their own anywhere in the world.

Coming back to last week's list of possible "punt" opportunities, we will look at some of them in the next few weeks.

The list was presented in alphabetical order, so it is appropriate to start with Alliance Textiles.

Alliance sold last week at 81 cents, compared with a mid-December figure of 73 cents. That is a rise of about 11 per cent in five trading weeks, excluding the holiday shutdown.

The dividend yield at 81 cents is still 8.75 per cent, and last year's payment (covered 1.8 timea) was paid from tax free reservea. Given a marginal tax rate of 60 cents in the dollar, an investor oeeds a fixed interest returo of 21.8 per cent to obtain the equivalent yield.

While the woollen textile industry has been in difficulty, the subject of a crash (Mosgiel) and the IDC report, Alliance set about its own interoal restructuring without the aid of voluminous reports from outsiders.

The acquisitioo of Mosgiel assets, and the new capital structure will change the profitability pattern in the current term, but the next result from Alliance should show that some parts of Mosgiel were bought on good terms.

The key will be the omounts received on realisation of Mosgiel's stocks in relation to the cost to Alliance. It seems that the company did well in the area, although the overall integration of Mosgiel's operations into those of Alliance will take longet to show up in the books.

People will no doubt argue whether the woollen textile industry has a future, and whether Alliance is the right company to invest in, assuming there is a future.

But the market's criterion fot investment is the profit to the investor. In a short period the investor has received, before brokerage a capital gain of 11 per cent, if the ahares were bought at the December price, and 6.6 per cent, again before brokerage, between January 20 and 27.

If the company contioues to improve profitability in the current term, aoother small cents gain from 81 cents will give a good percentage increase, aod the dividend yield is also attractive. If we are talking of "punting", rather than long term investment over five years, then the basic data gives the company merit.

The writet neither owna nor has a banaficial intarest in Alliancs Texlilas.

"As a mattar of foct we're earning a lot af foreign currancy with our Overseas Monufacturars' Guide to Gaps in the British Morket."

O'Brien on business

Analysing annual accounts: Leyland Investments

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

LEYLAND Investments Ltd is the only listed company specialising in equity investment. Its annual report is brief, but there is no intrinsic fault in that approach to financial reporting.

The directors of an equity investment company can have little to say about their business, if the figures are clearly stated, and the portfolio's value and annual changes are listed in the report.

Leyland had capital of $400,000 in 50 cents units at September 30 1980 (since iocreased by a one for four cash issue at a premium of 30 cents), reserves of $530,837, and current liabilities of $47,518, being a dividend provision of $40,000 and sundry creditors worth $7518.

The asset side of the balance sheet is equally simple. Cutrent assets totalled $12,686, of which a mere $200 related to sundry debtors, with the balance beiog cash at bank.

The portfolio of shares and debentures was the big item. The portfolio was worth $965,669, based on cost price or valuation. The market value at September 30 was $1,492,663, so there was a healthy margin of 55.6 per cent between book value and market price.

The rapid rise in the sharemarket since October would further increase the market value, assuming that the compaoy has not altered its fundamental structure since last balance date.

The portfolio contained 42 separate holdiogs (including ordinary and specified preference shares and debenture stock in the case of three companies) so it is not surprising to see the market value after allowance for dividend move up in line with the major indicea during the year.

Portfolio market value increased 23 per cent between 1979 and 1980 balance dates. The New Zealand United Corporation index of leading stocks went from 364.05 to 455.32 in the same period, an improvement of 25 per cent.

The company did some trading in 1979-80, buying shares in 12 companies, some of which were added to existing holdings in the same companies, and selling 15 parcels. The profit from sale of investments totalled $53,272, compared with total income from company dividends, distributions from share premium reserves and interest of $101,174.

Expenses amounted to $15,101. Taxation took $902, leaving net profit after tax of $85,171, before accounting for the profit on sale of investments.

All vety clear and straightforward, except for one point.

The global improvement in an equity investment portfolio over a year is an interesting and importont point for the shareholders.

They can compare their company's performance with the total movement in the market with othet portfolios operated on a similar basis (the insurance companies, for example, although the institutions have other activities as well as equity investment).

But a global improvement can hide a few blue ducks. While the portfolio's total margin between book value and market price was 55.6 per cent, there is no information on the book values of the individual holdings.

That would be interesting, although possibly embarrassing in a few cases, because it would highlight the poor performers, assuming they exist in a portfolio under the control of Auckland accounting, business and investment guns.

Unlesa the average purchase price of the holding is available, it is impossible to work out how each company contributes to the total margin over book value.

The holding in Golden Bay Cement is an example. Leyland had 10,000 Golden Bay at September 30, with a market value of 50 cents each.

At the beginning of calendar 1980 Golden Bay was selling at 52 cents. Therefore, it might be argued that Leyland is doing badly from its holding in the cement company.

Such an argument could be superficial. The average cost of the Golden Bay shares could be well below 50 cents (or conversely much higher than 50 cents), and the income contribution from the yield on the investment's book value could be out of proportion to its apparent market value.

Similar commenta could apply in reverse to some of the apparent well performed companies in the portfolio.

The directors know the answers, but the information is unavailable in the report.

The portfolio is standard for a company with a wide range of investments, and is heavily loaded with the heavyweights, and some of the better performed second-liners. There are a couple of curious omissions, which might reflect the investment thinking of the board.

There are no Brierley Investments shares, although several large institutions have been prepared to take up sizeable investment in that company, and CBA Finance (former Transvision) is absent. Both companies have been among the fastest groups on the New Zealand exchange in terms of capital appreciation.

O'Brien on business

Proof of the (polite) pudding is what you do

A GOOD read of the poet of Empire, Kipling, is advisable before interviewing a 38-year-old English businessman, if you think his rapid rise to the top is associated with family connections.

Rudyard warned about the English when the English (or the Englishman) grow polite.

I found that out last week when talking to Simon Keswick, chairman of Jardine Matheson Insurance Brokers, of London, and a director of the Hong Kong parent company, Jardine Matheson, famed Asian trading house (known in the area as a "hong").

Keswick (Eton and Trinity College, Cambridge) is a member of a family which has been associated with Jardine Matheson since its early days. Questioned about his family connections in relation to his move from a trainee in the accounts department of Matheson and Co (the London end of the business) in 1962 to a director of the parent company in 1973 at age 31, Keswick (perhaps unintentionally) looks bored.

He has heard it all before, and helps the interviewer out when the latter is trying to find polite terms to make the point. "You mean nepotism, don't you?"

He answers that the "proof of the pudding is what you do".

He considers people will only stay with a company if there is a good relationship between them and their superiors, that leadership must be supplied if a company is to grow, and that a long family background is an advontoge. It makes the individual work harder to prove himself because he knows the nepotism charge will be levelled if he fails to excel in the position.

The family background also means that the family shareholders are "putting their money where their mouth is", while all the shareholders, and/or the board of directors will throw out a person who makes a mess of the job.

In relation to Jardine Matheson, age is apparently irrelevent, because the average of the board is between 40 and 45.

So much for trying to put down the silver-spooned Englishman. (Do I hear Hugh Fletcher clapping delightedly in the background?).

Keswick was here last week visiting the forthest flung outpost of the JM empire, in the form of Jardine Granvill NZ Ltd, now the second larger insurance broking firm in the country, after the Bowring group.

The local company uses the name Jardine Thompson Graham for reinsurance broking services.

The international group is based in London, and has grown from a worldwide staff of 60 in 1975 to its present level of 1600, partly through the 1980 take-over of Lloyds brokers, Granvill Enthov which has been in business for 70 years.

JMIB covers the range of insurance broking services, retail, wholesale and reinsurance. The company is particularly strong in marine brokerage (insuring ships, for the uninitiated), and is the biggest aviation treaty broker in the world, according to Keswick, who says that no airline flies without JMIB having part of the insurance action.

Jardine Thompson Graham organises aviation treaty insurance here for Air New Zealand, offsetting the risk through its international associations with Lloyds.

JMIB's expanding interests in this country are seen as a logical extension of Jardine Matheson's activities in the Pacific.

When one listens to Keswick it is easy to get the impression that the Hong Kong company sees the Pacific as its personal pond.

Many New Zealanders think of the Pacific region as New Zealand, Australia, and what is commonly known as "Islands".

In the broader sense of international business, economics, and politics, the "Pacific Basin" includes all the countries bordering the ocean, from China and Japan in the North, down through South East Asia, across to the West Coast of the United States and Canada, and the Pacific Coast countries of South America.

For JM's purposes, Keswick excludes South America, and takes the region across to [illegible] although the company is not involved there at present. JMIB is associated with a firm in Hawaii, and plans in future to move into the United States through the Pacific seaboard states, with a probable base in Los Angeles.

In view of Jardine Matheson's Pacific interests, the insurance broker's "natural instinct" is to enter the United States through California. Most London based firms come into America through New York, because they face West rather than East. The "natural instinct" of MIB also follows the present growth pattern of American business, because the West Coast, and the "Sunbelt" states have become the new industrial centres, though there is a resurgence in some areas of the North East, particularly in the electronics industry in New England.

An hour with Keswick leads to the conclusion that, apart from the family blood, the Pacific also flows in his veins.

Stock Exchange weekly review

FOR WEEK FRIDAY JANUARY 23 TO THURSDAY JANUARY 29

	Last sale	Week's high	Week's low	Turnover
AIRWORK,50C	140	140	140	1500
7.3% PP	...	...	...	0
6% PR	...	...	...	0
AJAX R.K.N.	305	...	...	0
A.J.WHITE	185	...	...	0
11.5% CONV PR	105	...	...	0
ALCAN,50C	178	180	177	7300
A.H.I.	250	231	227	23100
ALLFANCE,50C	85	84	79	39200
12% CONV PR	65	65	60	300
ALLELEX	112	112	110	6700
ALLIED FARMERS	360	360	357	10300
12% CONV PR	360	360	360	2900
ALLOY STEEL	210	...	...	0
A.M.BISLEY, 50C	250	250	250	300
AMPOL PET.,50C	266	...	...	0
A.BEAVEN	145	145	145	31500
11% CONV NTS	120	120	120	1200
11.5% CONV PS	120	...	...	0
ANDAS GROUP	130	130	129	1600
5-6.5% PS	95	...	...	0
12% CONV PR	96	...	...	0
ANZ BANKING GROUP	272	272	267	[illegible]
A.WRIGHT	270	270	270	100
"A" 6-7.5% PR	80	...	...	0
"B" 5-6% PR	60	...	...	0
A.BARNETT	260	260	250	2201
A.ELLIS	40	40	40	2000
ASHBY BLEIGH	325	325	320	400
A.B.CARLILES	205	...	...	0
ATLAS, 50C	36	37	35	[illegible]
10% CONV PR	35	37	35	4200
AUCK.GAS	500	500	500	550
AURORA,50C	216	210	205	[illegible]
10% CONV PR	260	...	...	[illegible]
14% CONV NTS	150	...	...	0
CONV NTS	150	...	...	0
A.C.I.	270	...	...	[illegible]
AUTOCRAT HOLDS	200	205	196	[illegible]
BAILLIE,50C	[illegible]	[illegible]	[illegible]	[illegible]
BALLINS,50C	77	92	90	[illegible]
11% CONV PR	75	76	74	[illegible]
BANK NSW	435	...	...	0
BEACH PETR.,50C	[illegible]	[illegible]	[illegible]	[illegible]
BING HARRIS,50C	[illegible]	...	...	[illegible]
B.N.Z. FINANCE	[illegible]	[illegible]	[illegible]	[illegible]
BRIDGEVALE,50C	200	...	...	[illegible]
BRIDGEVALE [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BRIERLEY,50C	415	[illegible]	[illegible]	[illegible]
12.5% CONV PR	...	...	...	[illegible]
BOS,50C	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	...	...	[illegible]
12% CONV PR	120	127	127	[illegible]
BROTHER,50C	70	70	70	[illegible]
BUNTING,50C	117	[illegible]	117	[illegible]
BURKEP C.E.,50C	160	...	...	[illegible]
C.P.E.	252	[illegible]	245	[illegible]
7-9% [illegible]	...	...	...	[illegible]
5% [illegible]	...	...	...	[illegible]
10% CONV PR	230	230	230	700
C.?.C.A.	235	...	...	0
11% CONV PR	175	...	...	0
C.F.P.	175	180	175	1700
12% CONV PR	120	180	180	130
CANT.FLOUR	220	...	...	0
CANT.TIMBER	155	155	155	4900
12% CONV PR	350	350	346	1300
CAPITAL RADIO, 25C	105	...	...	0
CAPITAL LIFE,50C	80	80	80	600
CARBONIC ICE	280	...	...	0
CASTER HULT	585	585	530	6000
CBA FINANCE HOLDINGS LTD	250	252	248	9200
CCL	235	250	235	3200
CERAMCO	232	252	227	53500
12% CONV PR	110	110	110	200
CON PR 16%	08	...	...	0
16% CON PREC	400	...	...	0
CHENERY	225	225	225	300
CH'CH.GAS	245	...	...	0
CH'CH PRESS	510	310	310	400
CITY REALTIES,10C	40	40	40	6200
CLYDE GROUP	110	110	107	2500
12% CONV PR	90	...	...	0
COLLINGWOOD,50C	42	42	38	2600
13% CONV PS	56	...	...	0
COL.MOTOR	225	225	225	400
CON NTS 10%	155	...	...	0
COLTIR WATSON	100	100	100	16800
CONALCO,50C	050	...	...	0
COMMANO	160	100	160	6400
CON.METAL,50C	120	170	120	5100
CON.SILVER,4C	24	24	23	54400
COOKS WINE	140	148	140	12100
CORY-WRIGHT	140	140	135	2000
12% CONV PR	115	115	115	600
16.25% CONV PR	110	...	...	0
CROWN CONSOLIDATED	252	252	250	15200
11% CONV PR	190	...	...	0
C.S.R	1020	...	...	0
CYCLONE,50C	240	...	...	0
DALGETY(N.Z)	205	300	205	14900
DALHOFF & KING,50C	00	60	05	4800
DEANES	125	...	...	0
D.E.C	220	220	218	14500
12% CONV PR	150	155	150	4700
DINGWALL N PAULGER	210	210	190	15800
D.NCL WALLACE,50C	125	126	125	48500
12% CONV NTS [illegible]	...	...	...	0
11% NTS [illegible]	125	125	125	2800
84 CONV NTS	95	...	...	0
D.I.D.A	08	...	...	0
DOM.BREW.,50C	105	105	100	190500
11% CONV PR	04	04	60	25000
DONAGHY'S	275	285	275	35000
17% CONV PR	315	315	305	47500
D.R.B.,50C	102	102	102	2200
DUNLOP (NZ)	330	350	355	[illegible]
4.5% PR	55	...	...	0
EBBETT	150	...	...	0
EROS,50C	110	110	105	0800
E L'STEEN,50C	300	500	200	4000
EMPEROR MINES,10C	20	...	...	0
ENDEAVOUR	170	170	120	9500
E.ADAMS	175	...	...	0
EUROPA PREF NT	00	...	...	0
F.T.C.,50C	119	119	117	285800
11% CONV PR	85	85	05	4000
F.WAIMAK,50C	90	90	90	7200
FELTEX,50C	158	158	154	00500
5% PR	41	...	...	0
16% PR	168	165	168	32700
FIRESTONE NT	125	125	125	4300
FISHER & PAYKEL	220	220	228	42600
FLETCHER-CHALLENGE	241	241	256	252700
15% CONV PR	100	105	100	7200
16% CONV PR	430	450	425	52600
FOUNTAIN CORP	105	105	100	700
FREIGHTWAYS, 50C	190	190	187	15600
10% CONV PR	130	150	150	1400
GEAR	55	55	55	10000
11.3% CONV PR	50	55	50	500
GEN.FINANCE	200	...	...	0
G.COURT	120	...	...	0
G.J.COLES,50C	277	...	...	0
GOLDEN BAY,50C	55	55	52	26400
GOODMAN GROUP	340	340	340	1800
14% CONV PR	260	260	260	500
GROSVENOR PROPS, 25C	60	60	60	2100
HALLENSTEIN	260	260	260	3200
HAURAKI ENTERPRISES,25C	140	140	138	8400
HAURINE,50C	20	20	62	13600
6.5% PR	...	...	...	0
H.B. FARMERS	310	310	300	1100
13% CONV PR	195	...	...	0
HAYWRIGHTS 5 PREF	65	...	...	0
HEALING	300	512	500	14900
10% DEB	...	...	...	0
12% CONV PR	305	...	...	0
H.POLLARD	380	360	360	17700
10% CONV PR	225	...	...	0
HENRY BERRY,50C	170	165	120	6900
10% DEBS	235	...	...	0
HOLEPROOF	250	250	250	1200
HOOKER,50C	73	...	...	0
HUME INDUSTRIES	115	...	...	0
5-7.5% PI PR	40	...	...	0
10% CONV DEBS	115	115	115	900
I.C.I.(AUST)	155	...	...	0
I.C.I.(NZ)	200	200	199	2900
IND BROADCASTING	115	115	115	200
INDEPENDENT NEWS	175	125	175	200
IND.CHEM,50C	120	170	120	400
INTERTASMAN NZ,50C	...	...	...	0
I.W.DON,50C	270	270	265	7600
JAMES AVIATION	325	...	...	0
JAMES SMITH 50C	85	65	64	3600
14% CONV PS	54	54	52	8000
J.E. WATSON	350	...	...	0
12% CONV PS	291	...	...	0
J.BURNS	95	97	95	7100
12% CONV PR	190	190	190	1300
JOHN EDMOND	215	215	215	1200
J.WEBSTER 50C	57	57	50	2100
12% CONV PR	45	45	45	200
J.MESCES INDS., 20C	70	...	...	0
5.25-6.25% PS	...	...	...	0
J.NATHAN	125	125	125	1500
6.5% PR	127	...	...	0
11% CONV DEBS	140	...	...	0
J.RATTRAY	210	210	155	1700
12.5% CONV PR	135	...	...	0
KEARNS-[illegible], 20C	210	...	...	0
L.N.RUDKIN,50C	70	73	70	17800
12% CONV PR	90	90	90	700
LANES,50C	50	50	50	400
L.D.NATHAN	215	215	212	1500
9.5% CONV DEBS	195	...	...	0
CONV PR	200	200	200	1200
LEYLAND,50C	155	155	155	700
LION, 50C	124	124	113	21600
10% CONV PR	115	115	112	7000
12% CONV PR	[illegible]	98	96	906
L.&M.OIL,50C	40	45	38	19900
LUSTESOID	200	...	...	0
MAINZEAL CORP,50C	141	145	140	1200
15% CONV PR	75	...	...	0
MAIR,50C	250	250	250	4600
11% CONV PR	150	...	...	0
MANAWATU,50C	110	110	110	4500
MANTEEL	170	170	170	2000
MASAC	500	360	360	2300
MCALPINE,50C	85	...	...	0
MCKECHNIE	220	220	215	2500
MIDLAND	205	205	205	100
11% CONV PS	175	125	175	200
MIN.RESOURCES,20C	75	90	73	10900
M.O'BRIEN,50C	25	75	75	5600
12% CONV PR	54	54	54	7000
MONTANA,50C	100	160	158	12400
M-P.I.N.	195	...	...	0
11% CONV NTS	170	...	...	0
15% CONV PR	5	...	...	0
MOTOR HOLDS.,50C	150	150	145	10200
12.5% PR	87	87	62	1400
MOTOR TRAD.,50C	[illegible]	68	59	40600
5-6% PS	46	...	...	0
11.5% CONV PR	52	...	...	0
MSI CORPN,50C	101	101	100	66000
12% CONV PR	102	...	...	0
MT.COOK	160	100	160	10700
N.I.M.HOLDS.,50C	650	...	...	0
NAT.INSCE, 50C	240	215	240	37900
NATIONAL TRADING	...	...	...	0
8% PR	...	...	...	0
NAYLOR	145	...	...	0
5% PR	...	...	...	0
NEEL HOLDINGS, 50C	50	50	60	10500
N.Z.CEMENT	115	115	112	17200
N.Z.F.C.,50C	135	140	135	10200
11% CONV PR	120	120	120	500
N.Z.FARM FERT.	195	105	102	12200
12% CONV PR	150	150	150	100
14% CONV PR	145	145	145	200
N.Z.E.P.	410	411	405	165150
N.Z.I.R.	570	...	...	0
5.5% PR	40	...	...	0
N.Z.I.	372	572	298	90000
10% CONV PR	195	...	...	0
N.Z.LAND,50C	20	20	20	1500
N.Z.LEATHERS	47	47	45	1000
N.Z.MOTOR BODIES	85	85	85	600
N.Z.M.C	105	105	160	90800
N.Z.NEWS	300	300	205	20000
N.Z.PETROL,50C	725	225	200	8100
N.Z.REFINING	132	132	125	10800
N.Z.STEEL	205	205	200	19200
N.Z.UNITED	010	010	610	100
NIVEN INDUSTRIES	105	...	...	0
NUHAKA	290	290	200	500
ODLINS, 50C	101	101	100	51700
"A" 6% PR	20	...	...	0
12.5% CONV PR	67	02	65	1400
"B" 13% CONV PR	07	...	...	0
OPTICAL HOLDINGS, 50C	58	00	58	4100
12% CONV PR	45	...	...	0
OTAGO PRESS & PROD	150	130	130	2700
PAVSOC HOLDINGS	195	195	195	500
CONV	120	...	...	0
P.D.L.HOLDN,50C	170	170	165	4400
PERP.INVEST	85	...	...	0
PHILLIPS & IMPEY,50C	120	120	120	1500
PRINT & PACKAGING	[illegible]	198	195	19000
11.5% CONV PR	182	102	175	4200
PROGRESSIVE	495	495	425	3500
12% CONV PR	[illegible]	...	...	0
PEOP.SECURITIES,50C	205	205	195	45000
PROD.BUILDING	120	120	120	100
QUILL MORRIS,50C	110	110	110	2400
12% CONV PR	100	...	...	0
RADIO AVON, 25C	140	140	130	5100
RADIO OTAGO	100	...	...	0
REGINA	150	150	150	[illegible]
R N W HELLABY	175	175	175	2800
REED FARMERS	560	300	00	200
[illegible],50C	90	90	84	3000
10% CONV DEBS	92	...	...	0
REVESTBY	290	290	280	700
REX CONSOL.	225	275	275	15000
CON PR	150	150	150	1800
RHEEM,50C	155	105	180	3300
RICKSTAN,50C	247	...	...	0
ROTHMANS,50C	124	125	122	24200
[illegible]	270	270	270	500
SALMOND	190	190	190	7000
SANFORD	300	...	...	0
PR	100	100	100	800
12% CONV PR	230	...	...	0
12% "B" CONV PR	235	...	...	0
SCHOFIELD	125	...	...	0
SCOTT,50C	60	80	80	[illegible]
12.5% CONV PR	56	...	...	0
SELBY	260	...	...	0
SKELLERUP,50C	315	[illegible]	[illegible]	[illegible]
5-7.5% PR	34	...	...	0
SMITH [illegible],50C	157	162	162	[illegible]
12% CONV PR	135	135	135	650
SMITHS F.M.	155	155	151	2000
STH. BRITISH	425	425	455	111950
STHN. CROSS HOTEL	153	...	...	0
STHN CROSS MINS.,70C	52	55	48	[illegible]
S.F.M.	235	235	235	[illegible]
SPEDDING, 50C	77	77	65	600
12% CONV PR	77	...	...	0
STEEL & TUBE, 50C	112	112	112	[illegible]
SUCKLING	160	160	160	[illegible]
TAYLORS	127	127	125	[illegible]
12% CONV PR	120	120	120	[illegible]
TELTHERM	150	150	145	5400
12% CONV PR	110	...	...	0
T J EDMONDS	315	315	315	700
TOLLEY	138	138	138	14900
TOUS EIJI	35	...	...	0
TRANS [illegible], 50C	55	55	55	2100
TNL GROUP, 50C	92	92	93	30200
10% CONV PR	74	74	72	8100
12% CONV PR	77	77	74	3700
TRANS INTN. (ANT.)	116	116	115	900
13.5% CONV PR	95	...	...	0
15% CONV PR	95	...	...	0
U.D.C.	147	...	...	0
U.E.P.,50C	100	102	99	34000
6.5-7.5% PR	115	...	...	0
12% CONV PR	90	90	90	[illegible]
15% CONV PR	60	60	60	[illegible]
UNITED STEAM SHIP	52	...	...	0
5.5% PR	75	...	...	0
UNITED BLDG	100	...	...	0
UNITED PUBLISHING,50C	260	260	250	4000
VACATION,50C	71	74	70	27700
12% CONV PR	52	52	52	3700
12.5% CONV PR	52	52	52	10000
WAITAKI-NZR	226	216	220	[illegible]
11.5% CONV PR	190	190	178	[illegible]
14% DEBS	165	...	...	0
WALKER & HALL	450	...	...	0
WATTIE,50C	144	144	143	51000
12.5% CONV PR	[illegible]	[illegible]	[illegible]	[illegible]
WELCAS	445	445	445	100
[illegible]	250	250	250	[illegible]
WILKINS & DAVIES	730	...	...	0
5.75-7.5% PR	52	...	...	0
W.JEFFERY	150	160	160	[illegible]
12% CONV PR	110	...	...	0
WILSON & HORTON	460	420	450	[illegible]
WILSON DISTILLERS	110	...	...	0
WILSON NEILL	120	125	120	16100
12% CONV PR	160	...	...	0
WINSTONE,50C	53	84	88	42200
12% CONV PR	58	60	58	1100
[illegible] INTL PROPS, 100C	72	...	...	0
5.75% PR	72	...	...	0
[illegible] AUST, 50C	245	...	...	0
WORMALD	280	...	...	0
5-7.5% PR	100	...	...	0
W.R.CARPENTER,50C	246	...	...	0
W.SUTHERLAND	185	...	...	0
YATES CORP	415	415	400	30350
CONV PR	145	145	145	1200

Government administration

Electricity profits propping civic projects

Energy Reporter

IN the wake of the Christchurch City Council's refusal to pay the Government's 9 per cent bulk electricity price increase, fingers are being pointed at the appropriations of the city's electricity surpluses for civic projects.

In the last two years, electricity consumers have contributed more than $2,600,000 in transferred surpluses to the council's general fund — 3.49 per cent of electricity profits for the period.

A closer examination of electricity's contribution to the civic initiatives shows:

Year to March 31	transfer $	per cent transfer to revenue from electricity sales
1976	479,014	2.84
1977	575,510	2.41
1978	576,541	1.75
1979	1,626,000	5.31
1980	790,865	1.87

The council's appropriations are central to the Governments' rejection last week of a "special-case" status for the city's electricity charges.

The special-case argument results from the long-held belief that Christchurch's climate and smog conditions are sufficient reason for lower bulk tariffs, and last week's move to with-hold the payment of this year's increase came amid calls for negotiation from the Labour-dominated council.

But Energy Minister Bill Birch said he "will not be blackmailed" and warned the council about its role in future electricity distribution.

Research into the domestic tariff structure for the four main centres shows Christchurch is second only to Auckland in its power charges. The average monthly cost to Christchurch consumers ($24.16) is topped only by Dunedin consumers ($26.75), who pay less per KWh but use significantly more electricity.

If Christchurch has a "special case", a similar plea could be made for Dunedin and many of the other 60 supply authorities.

The intransigence of the Christchurch mavericks, and the whip-cracking from Birch, underline management problems which have beset the industry for years.

The hotch-potch of energy distribution agencies are still competing with each other

	Average consumption	Cost per KWh	Cost for year	Cost per month
Christchurch	8.472 KWh	3.423c	$290	$24.16
Auckland	8.767 KWh	3.59c	$261 (incl Supply Charge)	$21.77
Wellington	7.702 KWh	3.11c	$240	$20.00
Dunedin	9.540 KWh	3.05c	$321 (incl supply charge)	$28.75

DOMESTIC figures have been quoted because commercial and industrial tariffs vary widely.

(electricity and gas, for example).

Sophisticated metropolitan supply authorities rub shoulders with the poorer rural ones, each suffering their own mix of climate, topography, population and market constraints. A consumer can find that a change of address across a street means paying significantly more or less for electricity.

The Christchurch council's row with the Government may be little more than "power politics", but it's easy to see how it underpins a need, at most, for the formation of regional or territorial energy authorities, and at least for supply authorities and the Government to work much closely with each other through the Electrical Supply Authorities Association.

Birch could show good will by producing a reasoned estimate of electricity pricing through the 15-year planning period, and the council might pay its bills and win the support of other supply authorities for action through its national association.

From Page 1.

Some 17,000 tonnes of lamb were already landed in Britain and there was every possibility that further cargoes could be discharged, he said.

Norman said he thought stocks in Britain were "pretty comfy" at the moment. Normally five to six weeks of stock or around 18,000 tonnes were held.

Norman said the strike would have no great implications for the killing rate. Rather, "we have an interruption in the flow" of meat to the British market at a time when prices are rising.

Industry sources agreed it was a marketing problem, and one which was causing cash-flow problems for exporters.

Norman said the freezing works had plenty of capacity for storage.

Another source said the industry could store some 40 per cent of our annual meat production, or 300,000 tonnes.

Matters were not at crisis point, he said, but some plants with less storage capacity could run into problems.

The processing industry is still taking meat from the farmer, although there is a great pressure to kill in the North Island.

Stocks are quickly building up in coolstores around the country, and container terminals at Wellington and Auckland are filling up rapidly.

The Meat Exporters Council met with the Meat Board two weeks ago to discuss the situation.

As the strike continued with no sign of a quick settlement the formulation of contingency plans became more urgent, Norman said.

To take the obvious route — using an alternate service of ships with non-British crews — could exacerbate what is essentially a political situation, NBR sources said.

Any interruption to the marketing programme — a sensitive operation at the best times — could have serious flow-on effects throughout the industry.

Even a short strike would disturb the even flow of product on to the British market, because the bulk of the 200,000 tonnes of meat going to Europe is carried by ships with British seamen.

Packing industry

Packing probe could bring pricing changes

by Allan Parker

MAJOR disruptions to national product distribution and pricing practices are likely effects of the recommendations embodied in the Industries Development Commission packing industry probe.

The changes would also remove implied standover pricing tactics adopted by suppliers operating in a protected environment.

Among the effects:

- A possible end to marginal costing for export;
- Different costs of packaging materials for different customers;
- Removal of a new trend toward increasing domestic prices above export prices by the equivalent of the export promotion incentive;
- A major adjustment of the common national delivered pricing policy.

The commission estimates that the packing industry uses up to $400 million worth of packaging materials each year — a significant production for the domestic industries based on paper and paperboard, plastics, glass, tinplate and other steel.

It argues that the whole industry "should be encouraged to develop a capacity to satisfy the requirements of the agricultural and manufacturing sectors of the economy for packaging of design and quality comparable with international standards, at prices within manageable distance of world prices".

But while finding the local packing industry worthy of support, the commission also says that domestic packers must have access to materials at prices that ensure international competitiveness.

Most sectors of New Zealand agricultural processing and manufacturing industries would be affected if the IDC recommendations are adopted by the Government.

The flow-on effects are identified in the commission's report on the packing industry, released just before Christmas for industry perusal and comment.

The report makes specific proposals for packers and for products affected by packing, such as rice, split peas, tea, aerated beverages and fish.

It also recognises the impact such moves would have on the broad national front.

The IDC has recommended a cost-containment formula by which local packaging materials are to be compared with the in-store duty-paid cost of imported packaging.

The formula would give a 20 per cent protection to local packing suppliers. But above that, local industries would be able to import their packing requirements.

The cost of packaging is a critical component for all industries. And many of the submissions made to the IDC hearing complained about the high price of packing supplies from local companies.

AHI particularly came in for criticism of its prices and was named specifically in the commission's report.

But AHI countered that, among the reasons for the high pricing, was the cost of raw materials from its New Zealand suppliers. The company named kraft paper and aluminium sheet (30 per cent more expensive than Australian aluminium sheet) as high-cost factors.

Because most of the cost differential between packing the bulk products in New Zealand or importing pre-packed merchandise lies in the packing materials rather than the physical packing function, the commission has related its pricing formula back to packaging raw material suppliers rather than just suppliers of ready-to-use packing like carton, bottle and plastic container manufacturers.

Packaging raw material suppliers, who were uncertain about the effects of the packing study on their own industry, may be severely disadvantaged by the commission proposals, which would have a domino effect on other industries.

The commission notes that one effect could be problems of equity and administration.

"The application of cost containment policies to users and producers of packaging materials arising from requests for differential treatment, or from other industry studies, might result in inequity if one industry is accorded lower prices for packaging materials (which it could buy cheaper overseas at existing prices), while the supplier of those raw materials is able to recover the lost revenue by increasing the price charged another user industry," the report says.

"Administrative difficulty might similarly be encountered in restricting the lower-priced packaging materials to uses identified in the study leading to that access."

Thus, a packing materials supplier may have to discount his price to a customer who can get cheaper imported materials for his particular product. To offset this discount, the New Zealand supplier could then charge another customer the difference.

The commission has identified three other important effects.

- It believes adoption of its development plan (particularly the cost containment provision) would see the emergence of commercial pressures which could erode the practice of marginal costing for export.

Many companies now pare export costs to the bone in an effort to secure overseas orders. The practice has been urged by export marketing specialists.

But to recover these costs, the domestic price has been higher.

Introduction of imported competition would force exporters to review this pricing policy. The impact on exports is difficult to assess.

- The commission is concerned at an emerging trend towards increasing domestic prices above export prices by the equivalent of the export promotion incentive, in cases where the product concerned could readily be exported and thus qualify for this tax incentive.

Domestic customers have been forced to pay the higher prices to ensure supplies for their product. The extra cost has then been passed on to the consumer.

Again, allowance for imported competition above the 20 per cent protection level could do much to reduce or eliminate this practice.

- The third major flow-on effect — and the one with, perhaps, the greatest national significance — if the IDC measures are implemented by Government is in the common national delivered pricing policy, which is supported by Government.

Local packing . . . IDC recommends cost containment formula

Delivery of goods is based on a common national price. Thus, an Auckland supplier will charge the same amount for delivery to an Auckland or a Dunedin customer.

But if the Auckland customer can import his packing requirements cheaper than the New Zealand-delivered materials, severe distortions will emerge. And with nine ports throughout the country, the practice of a common national pricing police will come under threat.

As the IDC notes in its report: "While these three latter issues have relevance in the packaging context, they have a much broader application across the whole spectrum of New Zealand industry".

The suggested introduction of measures to eliminate the national pricing policy is the first to emerge from the series of IDC studies. It is unlikely to be the last.

The packing industry report, if adopted by Government, would also have a serious impact on major raw material suppliers such as New Zealand Forest Products and Alcan NZ Ltd.

Before and during the study, those suppliers were uncertain about the effect the study would have on their industry. Now, they are likely to press for an urgent study into their own industry to prepare a development plan that would reduce the impact of this latest report.

The IDC is likely to view such a request sympathetically. The initial government terms of reference for the packing industry study made no mention of the packaging materials manufacturers and the commission found itself in a cleft stick over treatment of that industry.

Ultimately, the commission found that "the development plan of the user industry (the packers) must prevail".

Science and technology

Cheap hot water flowing from Otago venture

ELECTRIC hot water cylinders eat energy; about 40 per cent of that fast-climbing power bill in fact. So, a system that cuts water heating bills by 60 per cent has got to have a promising future.

The University of Otago and Zone Pak, an Auckland-based merger between Fletcher Mechanical and Fisher and Paykel Engineering, are involved in a joint venture to test such a unit.

The unit, basically an air-to-water heat pump which deliver hot water at 65 degrees centigrade, used 50 to 60 per cent less electricity than a conventional hot water heating unit.

The heat-pump water heater is the brainchild of Dr Gerry Carrington and associate professor Wes Sandle, of Otago University's physics department.

Using heat-pumps (common in air conditioning and home-heating installations) to heat water is an obvious idea, but the development of a reliable unit to deliver water hot enough for domestic purposes, quickly, has challenged researchers, and consumed enormous amounts in funds, in many countries.

The Otago physicists have produced technology which is as advanced as anything similar in the western world, and, on the basis of trials so far, it appears better than most.

It has taken more than four years of applied research on a budget of less than $100,000 (funded by the Energy Research Development Committee) to develop the heat-pump water-heater unit. This compares with $2 million in "extra funds" allocated by the Department of Energy in Britain for similar research and many millions of dollars invested in a similar project by the United States Department of Energy.

The arrangement of the technology involved in the unit is the subject of commercial confidentiality, and is tied up in patents taken out by the University of Otago, Carrington and Saodle.

After the first prototype was developed, the Business Development Centre at the University of Otago entered the project.

A consultant of the BDC, Bradley Rush, who specialises in the commercialisation of applied research, investigated the market and successfully tied up a deal with Zone Pak.

Last year the university team and Zone Pak collaborated on further development and several design modifications were made, largely by Alan Sloner, an engineer from the Auckland University School of Engineering, who was seconded to the project.

Developmeot manager at Zone Pak, Ken Pirie, added production capability parameters which were incorporated in the basic model. Ten copies were then made.

Nine of the units have been installed on a trial basis, five in Dunedin and four in Auckland. The performance is being extensively monitored, with 20 measurements every two minutes recorded, on tape, for three of the units.

The tenth unit is undergoing vigorous simulated conditions.

If the results of these tests are satisfactory, 50 will be test marketed Jim Hawke, general manager of Zone Pak, said.

The target is to get the unit, designed to adapt easily to existing water cylinders, on the market at $600. The units can now be produced at $800.

The main questions are: Where does the market lie? How big is it and how appealing is the idea to consumers?

The sophistication and competitive nature of the technology opens up the real possibility of adapting the units to export markets. But Hawke says this market segment will not be tapped until a full years successful marketing locally.

The domestic market includes 1.05 million homes where conventional water heaters are used, and a large commercial market.

There are a number of marketing problems to overcome.

One generally identified problem is a natural consumer-resistance to new technology, not proven in terms of long-term reliability.

The concept involved is the same as a refrigerator, which uses a heat-pump to take warm air from inside the fridge to lower the temperature.

The heat-pump, water-heater takes warm air from outside and puts it inside the

Heat-pump water-heater . . . same concept as refrigerator

water cylinder. The marketing comparison should convince consumers the tried and proven reliability of refrigerators has a carry over to the water heaters. It should also allow the manufacturers to back the units with a confident warranty.

The initial capital outlay of $600 may prove a marketing hurdle, although this factor could be balanced by a company financing system (to which Fletchers Challenge has obvious access) or interest free Government loans that apply on other household energy-saving developments.

In terms of the national benefit, the 60 per cent saving on electricity amounts to 12 per cent of New Zealand's total yearly electricity consumption. In present interest terms — one aluminium smelting potline every five years. The attractiveness to the Government in savings is obvious.

But the main selling point that will have to become established in the public mind, if the marketing strategy is to be successful, is the sovings the householder can achieve.

The average all-electric house uses 10,323 kWh of electricity a year, of which 44 per cent, or 4542 kWh, goes in hot water heating.

Electricity prices vary from region to region, but taking an average off-peak price the ordinary family would save $90 a year. On this basis the system is paid for in 6.5 years and the $765 (assuming no intervening electricity price increases) saved over the remainiog 8.5 years of the anticipated economic life of the unit is profit over a conventional system, not accounting for maintenence costs.

The savings are modest and the pay-back time hardly exciting. But an important factor not taken into account is electricity increases. The attractiveness of the system improves markedly with increased power bill, either in power charge increases or through greater than average use of hot water.

For example, a family using 6000 kWh of electricity a year for hot water heating (and 155,000 families use that amount or more) reduces the pay-back to five years on today's electricity prices, or three years taking typical recent price increases into account.

On today's prices, householders using an average of 7400 kWh a year (and there are at least 100,000 families using that amount) form o ready market with a pay-back time of 3.7 yers.

Devisers of the marketing strategy will be aware that price increases for electricity will bring the system to a stage soon when even the ordinary family can pay for the unit from savings made in three years.

There is little doubt that a potential market exists.

A 1975 study by Dr Peter Philips of Massey University shows consumers would be less likely to cut down on hot water usage than any other electricity-using appliance.

Given a list of six areas to reduce energy use, respondents showed they were most prepared to cut down on use for television, radio and stereo, with electric blankets second, appliances third, lighting fourth and home heating fifth.

Respondents indicated they would be most reluctant to cut down on high-consuming uses, with hot water sixth. With such a high priority on hot water, the market for a unit cutting bills by 50 to 60 per cent with no consequent loss in efficiency or convenience is clearly an attractive proposition.

Meanwhile, if trials prove successful, Zone Pak may establish the principle and reliability of this form of water heating by attacking the huge potential commercial market which includes the dairy, meat industries and commercial establishments reliant on hot water.

Otago University also has a stake in seeing the project succeed.

Any profits from the project will not go to the innovators but will be ploughed back into the university coffers and tagged for further applied research. This would be a welcome addition in times of education vote cuts and a return, at least in small part, to the self-sufficiency that the Scottish University proudly sustained during its early years.

Food production

US analyst sees decade of world food shortages

THE 1980s will be a decade of world food shortages and rising food prices, according to American agriculture expert John Schnittker.

As a consequence, he said, American policymakers should examine whether the United States could maintain a policy of unlimited agricultural exports as it had in the past.

Schnittker said slow expansion in world agricultural production capacity — combined with higher demand for livestock products and grains and higher income would lead to food shortages and real increases in food pricea.

While the last three growing seasons had produced the largest grains harvests in history, he said, consumption had grown even faster, exceeding production in about 2 per cent last season and by 3 per cent in the 1980-81 crop year.

"Stocks by mid-1981 will represent only about 35 days' supplies," Schnittker said.

"Maintaining or increasing grain consumption in 1981-82 depends on production, since stocks cannot be reduced much further."

Schnittker emphasised that the world was "terribly dependent" on a good harvest this year if it was to avoid a new round of commodity price increases.

The outlook for coro — the largest domestic grain crop — is a harbinger of impending shortages in the United States, he said.

Schnittker expects corn stocks on September 30 1981 to decline by about 25.4 million tonnes from a year earlier. This, he said, means that all reserve corn will be used, "ensuring that US prices remain reletively strong if exports are as large as indicated (66.04 million tonnes)."

Unless record yields were achieved this year, he said, corn stocks could fall to minimum levels and cause United States exports to fall.

Even if the United States were to achieve a corn yield of 6.28 tonnes a hectare — which would be the third highest ever — exports at that level would decline by some 2.54 million tonnes, Schnittker said.

He expects American food prices to rise by nearly 12 per cent between December 1980 and December 1981, with increases of 15 to 18 per cent coming during the first half of next year.

"If, however, United States or world grain and oilseed crops in 1981 are no better than in 1980, the rate of increase in food prices could be considerably higher than now projected," he said.

Fun in the oven: how to bake tasteful erotica

by Ian Hargreaves
Financial Times

SOME things, New Yorkers often say, can only happen in New York. One of them, perhaps, is the Erotic Baker.

The Erotic Baker is not an individual, but a company. It started three years ago with a small shop on Manhattan's West 83rd Street, just near Central Park and the Natural History Museum.

"The reason for picking that street was that it's a good shopping street and that we live around the corner", says Karen Dwyer, who at the time was a 30-year-old actress just completing a stint in *Kiss Me Kate* at a dinner-theatre in Virginia. "We wanted a small business we could run without having to travel to work."

The concept had its origin at a party, when Dwyer and her friend, Patrika Brown, 10 years older and a theatre lighting designer, were talking about their mutual intereat in erotic art.

It really did begin as a party joke when someone said: "Wouldn't it be funny if you could eat that sort of thing".

So when, a few days later, Patrika disappeared with another show, Dwyer picked up the phone and started talking to bakers. A few were shocked at her suggestion that instead of making cakes like motor cars or sailing ships, as well as just plain old round ones, they start to make more human shapes.

Karen Dwyer, meanwhile, went off on courses about baking and cake decoration. And, with her portfolio of cake designs, a nice smile and all the charm at her command, she went to see some bankers.

"Their faces were wonderful to behold," she says. But their credit lines were not available. Ultimately, Paine Webber, the large Wall Street investment house, said they could raise a floating rate loan of $20,000 against the collateral of Patrika's ahares.

"We were underfinanced then and we are still trying to get out from under that today," Dwyer says. They could not, for example, afford to buy ovens, so they had to rent oven space at scattered bakeriea.

The first day was a sell-out. Three exhausting years later, Karen Dwyer is standing inside the front door of the Erotic Baker's third shop, which has been opened in another smart neighbourhood, this time on the middle-East side of Manhattan. Shop number two is in Greenwich Village. Together they are grossing between $7000 and $10,000 a week.

The clientele is aa varied as the city itself. "Women are definitely in the majority," Dwyer says, somewhat surprisingly as the atrongest-selling item is cakes which look like their breasts. "They buy them for their boyfriends and husbands."

There is no evidence of particular socio-economic patterns in the steady stream of people flowing through the tiny shop between 2 and 3 pm, on a sunny recent afternoon.

They range from a black man in his early 30s wearing a shabby, navy-issue overcoat to the be-furred New York hostess placing a major order for what is obviously going to he a very large and very giggly party.

Of the two, the first is by far the more bashful, but seems pleased with the chocolate-covered buttocks he settled for, specially after the impressively polite and helpful counter assistant offers to inscribe them with "bottoms up". Another assistant completes design specifications with a customer. "You do want Caucasian, I presume?"

Prices range from 75c for a single, tiny marzipan breast, which actually looks more like the sharpened end of a child's crayon, to specials like the $1000, 16-foot "Yellow Brick Road" cake that the Erotic Baker made for a Stephanie Mills party after the actress had starred in "The Wiz" on Broadway. Non-erotic themes now account for a quarter of business.

The most spectacular cake ever, according to Karen Dwyer, was made for a player in the New York Knicks basketball team, showing the entire team enjoying an orgy on a basketball court. "That was a very difficult job," she says. The cost for a basic, 30-slice party cake to the design of your choice is $55.

For the founders and the owners of the Erotic Baker the challenge is to bring in more money than they spend, something, Dwyer concedes, has never been achieved on a sustained basis.

Like any other American business, the Erotic Baker has also been hit hard by inflation in costs which the retailer has felt it impossible to pass on completely to the customer.

Then there is product innovation. "That's a constant pressure," she says. "We'll be starting soon, probably with cheesecake and certainly ice cream cakes."

If she could find partners — backers of the right kind — she has had many approaches of the wrong kind — she wouldn't mind expanding to the West Coast, Washington ("that's a big party town"), perhaps Chicago. But, in the meantime she is working hard at mail order business, using sales she has met at various gift shows. As for international business she is convinced that erotic delicacies would appeal to Europe. The Erotic Baker has an outlet in London, through a shop called Parrot, on the Fulham Road. That connection, alas, has been severed: the British Customs, it impounded the company's export shipment.

Getting to the bottom of a photocopier's potential

by Warren Berryman

WHAT would you do if you caught your secretary sitting bare-bottomed on the office photo-copying machine hitting the print button? Sack her as an American executive did recently?

You might be better advised to establish what she is up to.

She might be a budding artist putting her behind into the *avant-garde* of office art.

Here its called Kolorplaten. In the United States it is called Electroworks.

In either case it is instant art, done on a Xerox 6500 colour copier.

Xerox art hit the bigtime last year with an exhibition of 250 pieces by 80 artists at New York's Cooper-Hewitt museum, part of the Smithsonian Institute.

In most cases Xerox art is as simple as printing off an office memo. Replace the memo with a few hairpins, paperclips, a couple of leaves or flowers, arrange artistically, push the button, said hey presto! Instant art.

The New York exhibition had colour Xeroxes of dead swans, bugs and beasties, and odds and sods of human anatomy.

Xerox art might not be everyone's taste but the stuff sells — for up to $250 a piece in New York.

Xerox Corporation sponsored the New York exhibition and did not neglect the Kiwi cousina down under.

Last year, Xerox gave eight photographers and printers, organised by Real Pictures Gallery, free use of its colour Xerox machine in Auckland.

The result: the Kolorplaten exhibition of 50 pieces.

The exhibits ranged from an eight-foot-square collage of Xeroxes of couch grass to zapps of pins, matchboxes, cuffs, clippings, collages and other weird and wonderful pieces.

Some Xerox artists in Auckland's Kolorplaten exhibition sold their work for up to $75.

Real Pictures will tour the country with the exhibition this year.

With colour Xerox copiers for more than $20,000 in the United States the new art requires a bit more capital investment than the traditional box of paints and brushes, unless you see the office machine when the boss isn't looking, risking a sacking if you get caught like the secretary caught posing posterior on the platen.

Xerox put 1500 to 3 colour machines on the world market, 10 of which were allocated to New Zealand.

Xerox has not sold its machines here. They are in Xerox copy centres where single copies cost $2.20 but runs of 100 or more are priced at $1.28 each.

Xerox made a commitment to the Reserve Bank and Police to supervise all copying to ensure that items such as bank notes and share certificates do not find their way onto the machines.

According to Xerox's Klarwill, the major users range from *avant garde* artists to architects and engineers who want to present a quality colour report, sales people wanting a quick short-run colour sales catalogue, and agencies turning out short-run promotional material.

Xerox art may be a passing fad.

But with rising silver prices pushing film prices up, Xerox zapps may replace the camera's click for some stuff.

Rising Australian dollar value hits exporters

Melbourne Correspondent

AUSTRALIA'S Commonwealth Banking Corporation warns that the recent sharp downturn in the international competitiveness of the Australian dollar will adversely affect the country's export of manufactured goods. At the beginning of 1980, the country's export-oriented and import-competing manufacturing industries were generally in their most competitive position internationally for more than a decade, the corporation says. Thia followed a gradual, but cumulatively significant devaluation of the dollar on foreign exchange markets through 1978 and 1979.

But from the end of June to early November 1980, the Australian dollar recorded gains againat all the major currencies with the exception of the Japanese yen and the pound sterling.

The National Bank reports that the movement of the Australian dollar was specially strong against the West German mark and other currencies of the European Monetary System, particularly the Italian lira.

The bank believes the strong performance of the Australian dollar reflects several factors:

- The nation's trading position strengthened markedly during 1979-80 when the surplus of the balance of trade widened from $A0.6 billion to $A2.8 billion. Although trading results have since deteriorated, this has been more than offset by the improvement in the capital account;
- Australia's rate of inflation continues to be lower than many of the leading industrial countries and below the average for the Organisation for Economic Co-operation and Development (OECD);
- The international business community is showing keen interest in Australia as a source of imports and an outlet for investment capital;
- Australia enjoys a high degree of self-sufficiency in petroleum and other basic energy resources.

The mineral boom of the late 1960s and early 1970s led to similar upward revaluations of the Australian dollar, resulting in a significant decline in the competitive positions of Australian manufacturing industry internationally by 1973/74.

The Commonwealth Banking Corporation warns that the present appreciation of the Australian dollar could lead to the same result. In a recent report the corporation states: "For Australian export oriented or import competing industries the recent exchange rate appreciation represents a substantial adverse movement in their international competitive outlook overall.

"Given that in the Australian experience inflation is extremely difficult to reduce quickly and that the resources boom is gathering momentum, the outlook must be for the competitiveness of Australian traders to be under further pressure in the short to medium term. This raises profound policy implications for the structure of Australian manufacturing industry in the 1980s."

The warning has been echoed by the Federal Opposition shadow minister for industry and commerce Chris Hurford. He said the continuing appreciation of the Australian dollar can lead only to further unemployment in the manufacturing industry.

The effects of this appreciation were already being felt by Australian exporters of manufactured goods, particularly motor vehicles, machinery, and textiles, he said.

Hurford claimed that in the first five months of the 1980/81 financial year there had been a dramatic decline in the export of manufactures.

Government pushes local purchasing policy

THE Australian Government hos introduced legislation designed to enforce its policy of preference for local goods. Its prime aim is to provide for Commonwealth authorities to comply with the "buy Australian" policy by overriding certain provisions of legislation governing some statutory authorities.

Purchases by Commonwealth authorities, estimated at $A3300 million a year, are more than double the purchases of Commonwealth departments.

The legislotion specifies the formula under which competing tenders are evaluated.

The formula provides that a preference margin of 20 per cent of the value of the Australian content of each tender be allowed, the resultant figure being deducted from each tender price. The lowest suitable tender is then accepted, except that all purchases costing $A50,000 or more where the highest Australian-content suitable tender is proposed to be passed over, must be referred to the responsible Minister for decision.

As a further step in the process of making purchasing policies better known publicly, the legislation provides for the disclosure to interested persons of the level of Australian content of successful tenderers. At present only the name of successful tenderer and the total tender price is published.

The new provision will enable unsuccessful tenderers to challenge any claims they consider doubtful.

Secrecy

Act denies public the benefit of expert opinion

by Warren Berryman

THIS is part of a series in which Warren Berryman considers the American Freedom of Information and Privacy Acts in theory and in practice and compares the United States system with our own.

THE Official Secrets Act – enacted to protect us from spies ensures that the public is denied hearing expert opinion from scientists and technicians when those opinions conflict with Government policy.

When Petrocorp was formed, after the then Energy Minister, Eric Holland, had brought oil exploration to a halt with his $3-a-barrel levy, the Government was anxious to show it could find oil for itself.

Geologists were not happy with the drill sites chosen by the inexperienced team of Government appointees at Petrocorp. But DSIR geologists in the best position to know how taxpayer money was about to be wasted, were told to be silent.

DSIR scientists have also been threatened with prosecution under the Official Secrets Act for releasing information about the potato disease nematodes and about native forests.

After being sacked for releasing information, there are not many job opportunities open to a scientists in this country.

Consider Murray Ellis, a Ministry of Works employee and critic of the second aluminium smelter. The Commissioner of Works has told him to shut up because his remarks might be seen as political.

It's not that Ellis has been or is likely to release official information gained in the course of his official duties. Smelter analysis is not his job.

It's just that Ellis is one of that fifth of our working population employed by government. If he likes his job, be must remain silent.

As this country hocks itself heavily in overseas debt and plans to destroy salmon rivers and apricot orchards for the Clutha dam, the public are denied essential facts from the greatest repository of such information, Government-employed scientists.

* *

One of the biggest users of America's Freedom of Information Act is big business.

Government departments hold huge repositories of technical research data, information on competitors, market research information and so on. All this data was collected at taxpayer expense. And big business, like any private citizen, has open access to it for the nominal price of photocopying.

Not so in this country.

Suppose a small manufacturer was thinking of producing a range of bicycle headlamps and wanted to know the size of the bicyle market.

Government has the data. But Trade and Industry Minister Lance Adams-Schneider has refused to release it to Parliament, so presumably the small manufacturer would have to duplicate the work at his own expense.

More probably, he would buy the "confidential" information from a Trade and Industry officer with an expensive lunch.

Trade and Industry frequently refuses information on the grounds that it is confidential. For example, the department will not release the names of holders of import licences to the press.

An import licence is little more than a Government-granted licence to print money.

Any consumer item under licence is in demand. And import licence holders can charge enormous mark-ups.

And in some cases they just sell the use of their licences for 100 per cent of their value and never touch the goods.

Because an import licence is a lucrative Government handout to a select group at the consumer's expense, the public should have a right to know who is getting these government favours and why.

The rules for granting and denying import licences are also secret. One may suspect that an import licence was granted to repay a political favour – but the system ensures that such a suspicion cannot be confirmed.

The claim that the identity of import licence-holders is confidential is also ridiculous. For a start, the importer must sell the goods he imports and it is difficult for him to deal with buyers while keeping his identity a secret.

In the last four years *NBR* has published a number of articles on import licensing. We have never failed to establish the name of the import licence-holder for any commodity. Often it takes but one phone call to find out this "confidential" information.

* * *

The proceedings of Marilyn Waring's watchdog Public Expenditure Committee are held in secret. The information cannot be released except in the parliamentary debate on the estimates.

Lack of time precludes thorough debate of several important departments every year. And the repository of information gained by the committee remains secret.

This information, Waring mused, would make an interesting breach of privilege case if someone subsequently released it.

She cited the "craziest example" of official secrecy she had come across recently:

"MP's are often asked to speak at school centenials. The Education Department has the information on schools. You're not allowed to just walk across the road to the department and ask for the information for your speech. You have to write to a minister to get a two-page backgrounder on the 100th birthday of a school in your own electorate."

Waring is not the only MP to complain about the lack of information available to parliamentarians.

But the Government appears to be in no hurry to enact a freedom of information act, or even to separate the trivia now classed as secret from information that should remain secret in the interests of national security or individual privacy.

Instead, the matter was handed over to the ponderous deliberations of the bureaucrat-dominated Danks Committee which was to decide what information civil servants might make available to their public employers or their elected representatives.

Its deliberations, of course, were secret, and its report has been passed on for consideration – in secret – by a Cabinet committee.

The Labour Party has promised to scrap the Official Secrets Act and enact a new law providing for public access to official information should it become the Government.

This seems to have been the idea of bright new Labour MP and constitutional lawyer Geoff Palmer.

Labour leader Bill Rowling hadn't let the ink dry on Palmer's manifesto before he called some fellow MP's "rats" for leaking information about Rowling having to cast his own vote to fend off a leadership battle.

On the National Party side, Maori Affairs Minister Ben Couch took time out from his Christmas break to rap a bureaucrat over the knuckles for releasing statistics on Maori unemployment.

Couch said he was annoyed, not embarrassed, that this information had been released. It seems his vacation was rudely interrupted by people asking questions following the untimely release.

* * *

Ministerial obsession with secrecy – which stems from a desire to stage-manage the news and to release only that information the politician wants released – often makes Government appear ridiculous.

Some years ago, *NBR* was preparing a feature on open-plan offices. We went to the Ministry of Works (pot plant division) to find out how Government departments used potted plants as screens and to make the workplace more attractive.

Information regarding Government pot plants was denied to us on the grounds that disclosure would breach the Official Secrets Act.

In our files is a list of New Zealand's licensed cinema exhibitors prepared by the Cinematographic Films Licensing Authority, the list is marked; "Confidential, this schedule is prepared for the benefit of licensed renter of films and its contents may not be disclosed to other persons or parties except with the approval of the authority."

Most of the information in this "confidential" list could have been compiled from the movie pages of our daily newspapers.

* * *

The Official Secrets Act and the claim that some information is confidential provide Government and senior bureaucrats with a convenient lever to manipulate the press.

Journalists often find that "confidential" information becomes freely available to them if they agree to slant the story to favour the Government or a senior civil servant.

Three years ago *NBR* prepared an article on import licensing abuses within the Department of Trade and Industry and moves by senior officials to clean up the system.

I spoke to department secretary Harry Clark, who told me he might be more willing to supply information if I were more "co-operative" like . . . (he named two Wellington-based senior journalists known in the trade for their close political contacts and sympathy to the National Party line.) I told Clark no deal. I'd rather get my information the hard way.

Government management of the news will remain possible so long as freedom of information is not a right but a privilege to be doled out to "co-operative" newspaper hacks.

* * *

Official secrecy makes a mockery of Parliamentary debate. Backbench members must guess and speculate rather than debate facts from a point of knowledge.

Thus the non-elected bureaucrats hold the real reins of power while elected MPs are mere puppets on their strings.

National MP Marilyn Waring, chairman of the Public Expenditure Committee, ostensibly plays the role of watchdog on bureaucratic spending. But she complains she can't get information from the bureaucrats she is charged with scrutinising.

She told *NBR* she ... requests for infor... wered with 2½-inch ... of computorised ... gook "just to obsure ...

* * *

Information, as any ... reaucrat or politician ... you, is power. It is vain ... that those holding ... will relinquish it w...

As Sir Guy Pow... out in his booklet ... *Information and* ... freedom of infor... neither a procedural ... a luxury. It is essenti... government, to demo... self, a right, not a pri...

This right, like ... can never be gran... seized and ...

Until then, P... public and the ... control the ... they cannot ... executive...

Admark

Merger moves in Masius

SINCE it was purchased by Masius in 1978, Malcom and Hansard has experienced a period of record growth. Masius has also made vigorous progress and amassed an impressive list of blue-chip clients.

Denis Richmond . . . returning to Masius

The decision to merge the two agencies and relocate in specially designed agency premises in Epsom has resulted in a billings total that will place the restructured agency into this country's top 10.

Along with this move have come some important personnel shifts.

Peter Spencer ... general manager, Wellington

Len Reason of Melbourne, well known to senior New Zealand agency people, will relinquish the position of chairman of the group here while remaining on the baard. He will be succeeded by Mike Fahey.

Ray Noonan has been appointed New Zealand managing director and will join Fahey on the Australian board.

Mika Fahey...local chairman

Ray Noonan...managing director here

Peter Spencer has been appointed general manager, Wellington, replacing Denis Richmond who will return to Masius, Sydney, as a member of the board.

Rody Fryer is the new general manager in Auckland.

The company, in its new combined form, will trade as D'Arcy-MacManus and Masius New Zealand.

The media message

WITH its media bulletin, Goldberg Advertising does a fine job in passing on the media message to a fortunate list of recipients. In a printed rather than a cyclostyled version, it could well command a modest cover price.

The November issue updates the media news with six items in the radio section, five items in the television section and three under print media.

And a special section has a fascinating piece on how the media dollar has fared over the past five years.

Cost per thousand for newspapers has increased in current dollars by 145 per cent but in constant 1975 dollars only 27.7 per cent and the relative figures for television are 122 per cent and 15.7 per cent.

Magazine ads in four-colour show a different pattern with the current dollar cost per thousand up 64 per cent but the constant dollar rate actually down by 14.1 per cent.

Other tables show the extent to which the buying power of $20,000 has been affected by rate increases and falls and rises in circulation/viewing in various media.

Nothing could better point up the continuing need for critical media appraisal.

Injunction awarded

THE national agency Wood & Mitchell Advertising, after several months of evaluation and preparation, last year opened a branch in New Plymouth.

A few months later, while still employed by Wood & Mitchell, two employees, together with others, took steps to form a competitive advertising agency and mailed soliciting letters to Wood & Mitchell's clients.

In the High Court in December last, they were enjoined to cease soliciting the agency's clients pending the hearing of an action for damages being brought against them. They were also enjoined for a period of six weeks, from approaching other organisations with whom Wood & Mitchell were negotiating, to allow the agency time to re-staff its New Plymouth operation.

"To the best of our knowledge," Felix Wood, W & M's managing director told *Admark*, "we have not lost a single account and the attitude of those clients approached has been one of concern and loyalty to this organisation."

Direct solicitations of agency clients have posed more ethical problems than any other aspect of the agency business. But the occasions when a legal response has followed are rare indeed and Wood & Mitchell's action may well prove to have some historical significance in the future.

Sacred phenomenon

A convenient conservative refuge close at hand

by Colin James

SOCIAL Credll did not wln in Rangltlkel by being Inharantly right-wing, but It proved Itaalf a refuge for conaervative deaertera from National. In tha third articla in a aerlea, Colln James looks et eome leaaona lo ba drawn from the Soclal Credlt rise in Ranglllkal.

The earlaa la mainly drawn from matarlal now baing preparad for publication in book form, covering lha 1975 and 1978 elactions, datalled aurveya in Rengltlkel, Rosklll and Waltetapa in 1978 end 1979 end Heylen Polla and analyaaa since 1975.

NOT only does Social Credit seem to be building up numerical support, but it also seems to be widening its base.

Gone are the days (for the time being at least) when one could write the league off as basically a party of small businessmen and small farmers.

It was that narrowness of base, probably more than the crackpot image which its monetary theory engendered in a self-satisfied electorate, that confined the league to a shaky minority status for the first 25 years of its existence through to the beginning of 1978.

Of course, its support never was confined to small businessmen and farmers. If it had been, it could never have got 11 per cent of the vote in 1954 or 14 per cent in 1966.

But there was something to the popular image. Even by the late 1960s and into the early 1970s, the party faithful were an individualistic lot — with the sort of individualism that matches small entrepreneurship.

At the top, things changed with the emergence of teachers Bruce Beetham, George Bryant and Jeremy Dwyer during the 1970s.

This change seems to have worked slowly down the league. Social Credit gatherings are becoming increasingly representative of society at large.

This subjective impression is supported by survey evidence now becoming available.

Last week, in an article reporting a socio-economic analysia of the monthly Heylen Poll over the last three months of last year, I pointed out a Social Credit "bulge" in the middle of the political spectrum.

Data from the 1975 and 1978 post-election surveys by Heylen also suggests a strong Social Credit presence in the lower white collar and higher blue collar occupations — with a top-end presence also among the "professional, directorial and managerial" group, boosted no doubt by those who placed themselves as self-employed small business operators and small farmers.

There were corresponding distributions of income — a fair presence at the top end or just below it (as Heylen found over the last few months of last year) and bulge about the middle.

Similar findings have emerged from a survey of the Rangitikei done shortly after the 1978 election and only recently analysed.

In household income Social Credit voters tended to be close to the average, with a fairly strong presence in the $12,000-$18,000 category, appropriate incomes for small business operators, those in the lower professions and higher blue collar workers.

But it seems to have been more the latter two categories that were involved than the first. Social Credit was no better represented among the self-employed than the average — and considerably less than National.

In fact, Social Credit voters were likely to be in full-time employment, particularly those who had come from other sources in 1975 or 1978.

But something of the popular picture remains. Where they did have farms or businesses, Social Credit voters, particularly those "loyal" to Social Credit from at leaat 1975, were more likely to have small ones.

The survey suggests a little history in microcosm: the older Social Credit supporters a bit more likely to fit the old image of the small operator and the newer recruits more likely to be from the middle apectrum of the fully-employed.

One might say that in Rangitikei Social Credit started out as a sort of poor man's National (which had a near-monopoly on larger businesses and farms in the survey), but expanded at the expense of Labour's better-off middle ranks.

The survey suggests another historical microcosm. Social Credit voters as a whole tended to be less active in the community, feel less influential and successful and to be more unhappy about New Zealand's future than average.

But converts to Social Credit tended to be less "on the outside" in these ways than "loyal" Social Credit voters. In other words, with its expansion in Rangitikei, Social Credit support seemed to be becoming more "mainstream".

Logically, such a movement should lessen concern with the league's monetary theories. And the Rangitikei indicates that this was the case there at least.

Asked to name up to three changes they thought were necessary to set the economy right, only 3.3 per cent of Social Credit voters suggested adoption of the league's monetary policy.

Almost all of these were "loyal" Social Credit voters, but they made up only 10 per cent of the "loyal" Social Credit voters.

Social Credit voters were more eager to see a number of other changes: cuts in handouts, more forceful overseas marketing, cuts in taxes, a better attitude to work by New Zealanders and a restraining hand on the unions.

Social Credit voters were by and large more likely to want basic economic policy changes than the sample as a whole — but not by very much.

Their margin over the average in wanting changes in economic management was greater than that for fundamental policy changes.

This characteristic was even more pronounced among converts to Social Credit than among "loyal" Social Credit voters.

Bruea Baalham . . . party aupport base widans.

The picture was one not of voters going to Social Credit to secure basic economic changes but to get better Government administration.

But there was yet another twist to the Rangitikei survey findings: generally respondents were more likely to nominate changes in social, moral and attitudinal spheres (to correct the economy!) than either economic management or fundamental economic policy.

Loyal Social Credit voters were more likely than average to name such changes — and those coming to Social Credit from National more likely still.

Since most of the comments seeking moral, social or attitudinal changes tended conservative in tone, does that mean Social Credit is a refuge for disgruntled conservatives?

In one sense, no. National voters were more conservative in their comments than Social Credit voters, suggesting National was the more natural home for conservatives.

But, given the apparent conservation bias of the National voters who headed to Social Credit, it does seem that Social Credit was at least not anathema to their conservatism.

If National has failed since then to convince its own voters that it is getting the economy back on the rails, and particularly if it has so failed by not setting right what its supporters in Raogitikei saw as fundamental ills in society, then the lesson from the Rangitikei survey is that Social Credit has been standing ready to catch the fallout.

The experience of the past few months suggests that some of that fallout has been falling already.

National strategists do not have much time left to turn the tide.

And Labour strategists — heading a party dogged by a trendy-lefty reputation — seems to be in an even tighter bind.

The middle and upper edges of their party support have been draining away and the chance of competing with Social Credit on conservative territory are dismal.

Noxl week: Why did the voter ahift in Rongltikol?

Computers

Univac shifts balance

THE order for the Ministry of Defence's extensive new computing network has gone to Sperry Univac, marking a major shift in the balance of computer suppliers to Government.

Univac's only other large installation here is the Wanganui law enforcement system. Despite its small presence in the country as a whole, the latest order ranks the company indisputably as a major Government supplier.

The move is a setback for British company ICL, struggling to maintain its profits here and at home.

ICL supplied Defence's current machine and had a bid in for the upgrade, presumably with machines from its 2900 lines.

Details of the selection procedure are confidential, but *NBR* is reliably informed that ICL did not even make the last round. Final selection was reportedly between Univac and IBM.

Univac was in a strong position, having a large amount of hardware in United States and Australian defence installations. The evaluation procedure involved an overseas tour of other defence computing establishments.

The success of the Wanganui network must also have been influential in persuading Government that Univac could do the job.

Capability of the equipment was only one factor in the decision. According to a Defence spokesman, Univac was selected because of "the completeness of its response in technical, contractual and financial terms".

The State Services Commission has been progressively tightening up its evaluation procedures and contract terms, against a background of recent criticism of the efficiency of public sector computing.

Long before the Ministry confirmed its decision, word was that Univac would get the order and that one reason would be compatability with the Wanganui network.

If the Defence machines failed, the network could be switched to Wanganui without compromising confidential information; it could hardly be safer than in the hands of the police.

"There may be an advantage in such a back-up arrangement", the Defence spokesman said, but the question had not formed part of the evaluation criteria.

Any suggestion that the Defence and Wanganui systems might be linked is bound to bring the computer privacy campaigners out in force. A back-up arrangement of this kind would probably require changes to the Wanganui Computer Centre Act which prohibits connection of the network to any other computer.

The Defence system will build, over the next four years, to a two-centre network with about 200 terminals at defence establishments all over the country.

The processors are later versions of the 1100 series equipment installed at Wanganui. The main dual processor will be installed at Porirua, near Wellington, in April or May.

A second processor will be installed in Auckland in about two years' time.

At a future stage, minicomputers will be added to the network, giving defence establishments more local processing power. The minis will be the subject of a separate tender.

Early applications will be in finance, statistics and personnel, as well as dockyard support and aircraft maintenance.

Software development for the network will provide custom for local software houses, Univac branch manager Peter Kalms confirmed.

Universities diversifying

A NEW diversity of computer equipment will appear in universities over the couple of years. The long awaited block order for university hardware has broken Burroughs' market dominance, with IBM and Prime emerging as main beneficiaries.

Sheer performance advantage is the reason given by most university representatives for the drastic change. The trend toward "interactive" computing — immediate use of the computer through terminals — led to a search for machines which were strong in this mode.

Orders for smaller machines, paid for out of the universities' running computer budget have already eroded the Burroughs presence. The allocation of the $5,000,000 special-purpose grant for replacement of the main Burroughs B6700 mainfrmes has banished the former kingpin supplier to the South Island.

Only Canterbury and Otago Universities have retained Burroughs equipment, using the recently released B5900 machine — the smallest of Burroughs' latest generation "large systems" line.

Burroughs owes this continuation to the difficulty of changing large suites of Burroughs programs to a new supplier's equipment.

In the search for increased power and responsiveness both main South Island universities have added a substantial non-Burroughs component to their resources. Canterbury will install a Prime 750 system and Otago a Digital Equipment VAX 11/780.

The character of a university workload, with its readily separable teaching, research and administrative applications makes such a split solution more feasible than for a typical commercial computer user.

Auckland and Victoria Universities by contrast, have changed over fully to IBM, and will be using 4341 mainframes with Series/1 minicomputers providing front-end communications power.

Helping to swing the decision IBM's way at Victoria was the ease of use of IBM's time-sharing environment and the ready availability of software. IBM's worldwide dominance of the computer market means that independent suppliers write more programs for IBM hardware than for rival machines.

IBM's recent trend to "field upgradability" added to the attractiveness of the 4341 offering. The machine ordered — the 4341 Group 1 — can be enlarged on-site to a 4341 Group 2, giving twice the power. Auckland and Victoria, funds permitting, are likely to go for such an upgrade as their workload expands.

By comparison, the 6900 machines on offer from Burroughs are currently top of its latest generation line. Assuming the forthcoming release of a larger-scale 7900, enhancement is still likely to be a matter of completely replacing the 6900.

Massey University, looking again for responsiveness, is to replace its Burroughs machine with two Prime 750 processors, "the best in terms of speed by quite a considerable amount" according to a spokesman.

Waikato University and Lincoln College have to date been linked into the Burroughs machines at Auckland and Canterbury.

The terms of the tender allocated a share of the Burroughs machines to each. The replacement has thus allowed Waikato and Lincoln to get their own machines and break the umbilical connection. Both have chosen to upgrade their Digital Equipment facility.

It is interesting to consider whether the new wide range of equipment now available will encourage inter-university communication links.

Corporation status clouds road limit victory

by Bob Stott

IT was a significant victory for New Zealand Railways — or it would have been but for the timing of the announcements that the 150km limit on road transport would be retained and that a Railways Corporation would be established.

The decision to retain the 150km limit to regulate competition between road and rail was announced on December 22, when people were more interested in getting away on holiday than in calling emergency meetings of the executive or issuing press statements.

And so a process which had started in 1971 ended if not with a whimper, certainly without a resounding bang.

The Government announced in late 1971 that the American consultants Wilbur Smith and Associates had been hired to carry out a full-scale transport policy study. The final report from the consultants was completed in October 1973; by early 1974, debate on the Wilbur Smith report was in full swing.

Wilbur Smith made these points amont others:

•"Pricing: The primary role of pricing is to serve as an allocative mechanism for traffic; thus where modes compete, price differences should reflect modes' relative marginal economic costs. Where financial costs and thus prices diverge from economic costs this should be corrected through taxation, or where necessary, through the manipulation of rail rates to retain the desired relativity of mode prices.

•"Regulation: The 64km limit, restricting road freight transport competition with rail, should be abolished and replaced by a special road tax on long distance transport competing with over 64km of principal Government railway. Long-distance cartage should be free of capacity controls, and the transport licensing system for local road cartage should be reviewed in the future in the light of this experience, with deregulation as an ultimate goal."

Colin McLachlen . . . view to improving efficiency

Reform hasn't turned out as Wilbur Smith recommended. The 1977 Budget included an announcement that the 64km limit would be replaced by a 150km limit.

A special road tax on long-distance road transport competing with rail never saw the light of day, but the 1977 announcement outlined the road user charges scheme which is a "special tax" applying not only to trucks competing with rail over longer distances, but to all heavy vehicles.

The Wilbur Smith report did recommend that taxes to recover the cost of providing and servicing roads should be based on highway cost allocation studies, and this is what the road user charges are all about.

Throughout the 1970s, particularly last year, a strong lobby pressed for the removal of all (or most) restrictions on road's competition with rail.

The lobbyists may have been influenced by Wilbur Smith's claim that full implementation of his recommendations would realise savings of $40 million a year on transport costs (in 1973 dollars on 1973 traffic volumes.)

More likely, most of the pressure groups didn't think through the effects of what they were proposing and were promulgating the dogma that if competition helped keep down the price of certain consumer goods, then it would force down the price of transport.

Ironically, among supporters of the free market in transport were farmers who had basked in guaranteed-price and controlled-market schemes since time immemorial.

Some business leaders also advocated open competition in transport, but seemed happy with monopolies and highly controlled markets in fields such as energy in all its forms, "standard fee scales" in most professions, recommended-buying-and-selling prices for used cars, state-controlled prices for beer and for milk. . .

This column has always stressed that competition in a service industry such as transport must lead to waste — more investment and higher running costs to provide the competitive alternative, and all to get a finite quantity of goods to market.

Regulation helps prevent waste and over-investment, and railway economics, unlike highway economics, actually improve as traffic rises.

It is pleasing to note that the Government has adopted the same approach.

Transport Minister Colin McLachlan's announcement in December promised that railways would be built up with a view to improving efficiency on long hauls. He cited developments such as the North Island main trunk electrification as examples of what must be done to achieve this aim.

"Fuel use alone dictates that longer-haul freight should be carried by rail," he said. "At the same time the costs of road up-keep continue to climb so that the present level of road user charges is not sufficient to maintain the standard required."

This reiterates a point made on this column: while rail is running at a loss, the trucking industry fails to meet the full costs it imposes on the highway system.

The decision to retain the 150km limit was one of the most important made in transport for a decade. That it should have been reached in the face of heavy opposition is all the more to the Government's credit.

The Minister's statement also referred to possible extensions to the list of commodities exempt from the distance limit, and to a redefinition of the limit in certain areas.

There won't be much objection if a few more commodities are added to a list which consists mostly of perishable and fragile goods.

Redefinition arises from the fact that an arbitrary limit always produces anomolies. For instance, parts of the Wellington area are outside the 150km limit for haulage to and from Palmerston North. The same applies on the Auckland-Hamilton route.

Urban zones in such cases may be justified so that all of each zone is regarded as within 150km of the next.

Any significant increase in the 150km limit would have opened up so much territory that policing would have become almost impossible and hardly worth while because little significant traffic (from a road point of view) would be left exclusively to rail.

The Railways Corporation move was almost inevitable. Road carriers, farmers, manufacturers, all three political parties, a former rail general manager, a former transport minister and countless others at different times had expressed support for the idea.

Control by commission, boards and so on has been tried four times before in the history of the 100-year-old Railways Department. Each time the Government of the day has reverted to the department structure headed by a general manager responsible to a Minister.

The present system does have its advantages. If Railways want something done management can pop up to see the Minister, who fixes things on the spot or brings the matter up at the next Cabinet meeting.

With a corporation, a Railways Minister would not be needed. Railways would have their own board, and matters would be channelled through that board's regular meetings. The link with Government could then be through a Transport Minister who often might want to refer matters to the Transport Ministry before deciding what to do. Then the path would lie through Cabinet as before.

So the chain of command is longer. Instead of general manager to Minister to Cabinet, it stretches from general manager through the corporation board to the Minister, to the department, and so on.

Better-quality decisions might result, but there is scope for delay and procrastination.

A corporation won't automatically mean the end of rail losses. The corporation will be more be able to close down the loss-makers, such as the Napier-Gisborne railway or the South Island West Coast line, than could a department. A system which sees Railways remunerated for providing the loss-making services would place rail finances back in the black, but corporation control is not needed for this to happen.

So a corporation cannot be more "businesslike" than the present department, which is as businesslike as anyone could wish for.

But Railways will have to do their best to make the corporation idea work. It has been said countless times that if Railways were a corporation they could go places. Thousands of people believe this; if they are proved wrong, they won't have much sympathy for the NZR.

Mind you, in the past it seems that a major reason for reversion to departmental control has been that governments found it best to retain direct control on the railways because they were such a big and potent force in the economy. So politicians will have to do their [illegible] corporation is to prosper.

IMPORT LICENCE TENDERING SCHEME — CALL FOR TENDERS

Pursuant to the Import Control Regulations 1973, Amendment No. 3 (S.R. 1990/249) the Secretary of Trade and Industry, acting under delegated authority is calling tenders for import licences for the goods specified below. These goods constitute "Lot One" and the closing time and date for tenders is 5.00pm, 30 March 1991. Instructions for prospective tenderers and the general terms and conditions which apply to the submission and acceptance of tenders are set out in the Guide to the Import Licence Tendering Scheme. Copies of this guide and tender forms may be obtained from the Department of Trade and Industry and the Customs Department. Tenders should be addressed to the Registrar, Import Licensing Tendering, Department of Trade and Industry, Private Bag, Wellington. Tenders for "Lot One" will be opened on 31 March 1991 and official results will be published in the New Zealand Gazette.

LOT 1 — ROUND ONE

TENDER NO.	ITEM CODES	TARIFF ITEMS		BRIEF DESCRIPTION	1ST ROUND ALLOCATION	LICENCE UNIT SIZE	NO. OF UNITS A TENDERER MAY BID FOR
1991/1	04.005	04.02.001		Milk & cream, preserved, concentrated or sweetened: liquid or semi-solid	$14,000	$2,000	2
		04.08.000		Natural honey			
1991/2	Ex 07.005	07.01.001 07.01.058		Vegetables, fresh or chilled (other than tomatoes, capers, olives, onions and mushrooms).	$55,000	$5,000	2
		07.04.002 07.04.005 to 07.04.009		Dried, dehydrated or evaporated vegetables, whole, cut, sliced, broken or in powder but not further prepared: (other than herbs)			
1991/3	08.005	08.07.001 08.07.009		Stone fruit, fresh	$50,000	$5,000	2
		08.09.001	01L	Passionfruit, fresh			
		08.11.001 08.11.009		Fruit provisionally preserved, but unsuitable in that state for immediate consumption			
		08.13.001 08.13.009		Peel of melons & citrus fruit, fresh, frozen, dried or provisionally preserved (in brine, in sulphur water or in other preservative solutions			
1991/4	08.010	08.08.000	010	Strawberries, fresh	$50,000	$5,000	2
		08.08.000	110	Gooseberries, raspberries, blackberries			
		08.08.000	18K	Other berries, fresh			
		08.10.000		Fruit (whether or not cooked) preserved by freezing, not containing added sugar			
1991/5	Ex 09.005	09.01.009		Roasted coffee, coffee substitutes containing coffee	$8,000	$1,000	1
1991/6	Ex 19.005	19.02.001		Malt extract	$54,000	$9,000	1
		Ex 19.02.009		Preparations of flour, meal, starch or malt extract, of a kind used as infant food or for dietetic or culinary purposes containing less than 50% by weight of cocoa (other than those preparations contained in Item Code 19.000)			
		19.05.000		Prepared foods obtained by the swelling or roasting of cereals or cereal products			
		19.07.009 19.08.001 19.08.009		Biscuits and Other goods of Tariff Headings 19.07 and 19.08			
1991/7	20.005	20.01.000		Vegetables and fruits prepared or preserved by vinegar or acetic acid	$50,000	$5,000	2
		20.02.011 to 20.02.099		Vegetables prepared or preserved otherwise than by vinegar or acetic acid; other than capers & olives			
1991/8	20.010	20.03.001 20.03.009		Fruit preserved by freezing, containing added sugar	$25,000	$2,500	2
		20.04.001 20.04.009 20.05.000		Fruit, fruit peel & parts of plants preserved by sugar Jams, fruit jellies, marmalades, fruit puree and fruit pastes, being cooked preparations whether or not containing added sugar			
		20.06.001 20.06.011 20.06.089		Stems and other parts of plants except fruit, preserved in syrup. Other preserved fruit of Tariff Heading 20.06			
1991/9	20.035	20.06.061 20.06.071		Fruit otherwise prepared or preserved, apricots, apples, berry fruit, fruit salad, peaches, pears, plums	$200,000	$20,000	2
1991/10	Ex 21.005	21.07.001		Saccharin and other synthetic sweetening substances in tablets or other dispensable forms	$25,000	$2,500	2
1991/11	Ex 22.005 Ex 22.015 Ex 22.020	Ex 22.09.019 Ex 22.09.011		Cordials and liqueurs	$50,000	$5,000	2
1991/12	Ex 22.010	22.09.031	01B	Gin, geneve, schnapps in bottles			
		22.09.041	01H	Vodka in bottles	$200,000	$20,000	2
1991/13	Ex 22.025	22.01.001 22.01.009		Waters, including spa waters and aerated waters	$200,000	$20,000	2

NOTE:

1. Tenderers should refer to the Customs Tariff and the Import Licensing Schedule for a definitive description of the goods included in the list above.
2. Tenderers should be conversant with the various statutes and regulations which importing enterprises are obliged to comply with, such as veterinary and quarantine approvals, the Food and Drug Regulations 1973, safety standards, duties and sales tax, the Sale of Liquor Act, etc where relevant.
3. Tenderers are reminded to use a separate tender bid form for each licence unit bid for.

Complementing references with psychological tests

by Stewart MacKay

MANAGEMENT opinion in many companies is divided on the value of psychological testing, because the day-to-day business person is not a qualified psychologist.

A number of excellent and valuable tests have been developed. But the operating executive needs the answer to questions which are not easily discernable on psychological test reports.

The bases of psychological appraisals relate to attitudes, temperant, aptitudes, and so on. It is not actual past performance which is tested, although all these factors have influenced past performance in a particular job and will obviously have a future bearing.

A more easily understood measure of an executive is track record. Reference checking is the most accurate way to establish how well a person had done their job in the past.

References substantiate a person's background and provide hard facts about their past achievements and personality. They also serve as ego boosters and are commonly held to be useful for getting jobs (although this view is not embraced by all).

With references, it is not so much what is seen but what is hidden which is vital. And hiding behind flimsy or substantial camouflage is the real person.

An obvious example is a statement that a particular individual chose to resign. This is, of course, different from saying they left of their own accord.

That big desk, behind which the reference-writer sits, sometimes hides a multitude of sins. Superiors occasionally write kind things about subordinates not from compassion but fellow feeling.

A picture of the complete person therefore is often hard to find, for it is what a reference does not say which is important.

References disguise incompetence and lies. They hide full facts. And this can be seen often by comparison.

A quantity of cards and letters usually points to a lot of jobs, or a lot of friends, or both.

One good and substantiated reference is worth far more than 10 mediocre or filial testimonies.

But, even here there are traps for young players. For example, several years ago I read a reference, part of which said: "Mr X's career with this organisation has been marked with excellence. The economies he has effected have saved us thousands of dollars... Never to the best of my knowledge as chief executive has Mr X done anything either to the detriment of himself or this organisation, and it is therefore only with the greatest reluctance that I accept his resignation". signed Mr Y.

I later discovered that Mr X was Mr Y's son-in-law, which somewhat debased the currency.

Where is the reference for the job before last? If he has left it at home, lost it or "didn't bother to pick it up", check it out.

A missing reference often means the jobhunter has something to hide. Their camouflage has a gaping hole and they are doing their best to plug it up.

Always look beyond the references given by the applicant. Try to seek out other sources within a company who could be even better authorities on how well the applicant did their job.

Talk to people with whom the job applicant has dealt (for example, talk to a salesman's customers).

Check those references you consider important. The telephone is both a great lie detector and a valuable medium for reference seeking. Former employers, and others, will be more candid on the phone: facts not easily committed to paper can be related easily and painlessly.

But establish your credentials, make it known why you are calling and make the importance of the call abundantly clear.

Sometimes you get an excellent response; more often it's above average; occasionally, it's a sentence of death. If you get a "death sentence", then always check on the firm before proceeding.

In a case like this, it is imperative that you do your candidate justice. Extremes at either end of the scale should always be checked.

Listen also for "the pause". But as this only sometimes has significance, do not let it influence you unduly. Quite often "pausing" is done just for effect; on the other hand, some pauses are often genuine.

A picture of the complete person therefore is often hard to find, for it is what a reference does not say which is important.

This same factor can apply equally well to psychological testing.

A strong argument can be made for certain specifics when checking references that cannot be determined to the same empirical extent with psychological appraisal.

Specifics therefore to look for when checking references are:

(1) Did he leave of his own accord?

(2) Did he have a stable work record?

(3) How long was he employed?

(4) Is there evidence of things that did not need to be said? That is, praise not needed to be given.

(5) Is there evidence of any irregularities, for example "clash of personalities"? If so, then follow up.

(6) Look for a statement from previous employers that they would re-employ him — this is possibly the highest accolade a departing employee can receive on paper — excluding cheques of course.

(7) Look for who signed. Did the signer know anything of the applicant's work? Quite often he didn't.

There is, of course, no conflict between psychological testing and reference checking. Both of them are aids to decision-making and neither can be regarded as a total answer.

So, finally use your judgement. Do you like him? Will he fit into your organisation? How long will you keep him?

In the final analysis you must judge for yourself. References and psychological testing provide basic material that will guide you in making that judgement.

A statement that one should never take any notice of a reference or a test report is just not correct. You should not believe everything you read but this should not preclude you from intelligently studying what are, after all, extremely important documents.

So next time you have a prospective superman sitting opposite you in an interview situation; examine reference documentation and psychological testing results thoroughly. Whether the information before you is good or bad, true or false, straightforward or misleading, is for you to interpret. But no information should ever be discarded "without a look" when your successful executive selection depends on getting it right first time — you don't get too many second chances.

STEWART MacKay is a director of International Executive Placements Ltd.